

MAR. 30
1935

APR 2 1935

BUSINESS WEEK

BUSINESS
INDICATOR



McGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS

DUSTY ANSWER—Daylight hours are headlight hours for Kansas motorists as dust storms once more work havoc over millions of acres in the nation's wheat belt and cloud prospects in the Southwest.

Wide World

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
AND ARBOR MICH

COMPLETE LINES OF TRUCK TIRES FOR EVERY TRUCKING SERVICE AT LOWEST PRICES—GIVING LONG MILEAGE AND GREATEST ECONOMY

FIRESTONE pioneered the ship-by-truck movement in 1918, and ever since has consistently led in anticipating every requirement in the design and construction of truck and bus tires for every transportation condition. To accomplish this, Firestone has consistently followed the fundamental principle of its founder and active head, Harvey S. Firestone, "Always to find the way to build tires better than anyone else."

While there are many reasons why Firestone Tires are safer and more economical, there are two reasons that stand out above all others. One is Gum-Dipping; and the other is two extra layers of Gum-Dipped cords under the tread.

By Gum-Dipping, every strand in every cord is soaked in liquid rubber, preventing friction—adding extra strength and long mileage. By having two extra layers of Gum-Dipped cords placed between the tread and cord body, it is practical to use a tread with higher, more rugged shoulders and a deeper non-skid with flatter contour.

All this provides more rubber on the road, giving longer wear, greater traction and quicker stops. These two extra construction features are patented and used only in Firestone Tires. Take a forward step in maintaining schedules and reducing operating costs. Call on the Firestone Service Store or Firestone Service Dealer today.



BALLOON
\$24⁴⁰
6.50-20
OTHER SIZES
PROPORTIONATELY
LOW



BALLOON
\$18⁸⁵
6.00-20
OTHER SIZES
PROPORTIONATELY LOW



HIGH PRESSURE
\$20⁷⁰
30x5 H. D.
OTHER SIZES
PROPORTIONATELY LOW



HIGH PRESSURE
\$18⁶⁵
30x5 H. D.
OTHER SIZES
PROPORTIONATELY LOW

Firestone **Firestone** **Firestone**
GROUND GRIP TYPE **OLDFIELD TYPE** **SENTINEL TYPE**
Super traction tire for unimproved roads. The tire that taught thrift to millions. Volume production tire for light trucks.

AUTO SUPPLIES FOR TRUCKS AND BUSES

Firestone HIGH SPEED TYPE

Greatest tire ever built for all-round service. Unequalled for high speeds and heavy hauling.

★★★★ Listen to the Voice of Firestone—featuring Richard Crooks, Gladys Swarthout, or Nelson Eddy—every Monday night over N.B.C.—WEAF Network A Five Star Program

FIRESTONE TRUCK TYPE BATTERIES



FIRESTONE HEAVY DUTY SPARK PLUGS



For quick starts and longer mileage.

FIRESTONE BRAKE BLOCKS and HEAVY DUTY LINING



For better braking control.

FIRESTONE FAN BELTS



FIRESTONE RADIATOR HOSE



Firestone

Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—President Roosevelt will be apparently a little more to the right a few months hence—on everything not pertaining to utilities. Forces are crystallizing which will make this attitude almost unavoidable politically. Radical-fringe brain trusters see the danger, and are working vigorously, though ineffectively, to prevent it. This is the source of propaganda to "get" Marvin H. McIntyre, the President's secretary who makes his appointments. Radicals charge that he permits only conservatives to advise the President. They mourn the illness forcing Louis Howe—much more radically inclined than McIntyre—out of the picture.

Would Be Middle Man

Republican strategy is apt to do just what Roosevelt always wants to have done—put him in the middle position on any issue. While Republicans may hope that Long, Coughlin, *et al.*, will acquire sufficient following in the election next year to let some conservative Republican slip through, Roosevelt figures on G.O.P. difficulties in solving candidate and platform problems, expects confidently to have enough conservatives driven to him to thwart G.O.P. strategy.

Processing Tax Repeal

Demands for the repeal of processing taxes—from cotton mills closed down by Japanese competition (so they claim), and from Mid-Western consumers outraged at food prices—are having their effect on Capitol Hill. Despite the President's retort ("Where's the money to come from?"), sentiment for repeal of some of the taxes is growing. It is too soon to make a flat forecast, but, as *Business Week* has predicted all along—even when others were hazarding guesses about June—it is a long time before adjournment. Probably till September.

New Revenue Needed

A new tax bill, always sure, becomes more and more a necessity with each passing week. Appropriations are running over the budget. New expenditures are being approved. There is little sign of much paring down. Remember also, the soldier bonus.

Trade Treaty Protests

Cordell Hull, victor in rows with former No. 1 man Moley and with Special Advisor to the President George Peek, is in for plenty more trouble—this time with a situation, not a man. Political repercussions on his pet reciprocal trade treaties have begun in earnest. Roosevelt critics are

WHAT CONGRESS DID

The Senate:

Passed work relief bill.

Passed \$907-million Treasury-Postal appropriation.

The House:

Passed Patman bonus bill.

Passed air mail pay bill.

talking about what happened to Taft on Canadian reciprocity as California screams at reducing duties on her myriad products. French wine is coming in cheaper per gallon than our production cost per quart, say the Golden Gate vineyardists. Which is typical of complaints from nearly every state. A move to repeal the empowering act is under way. It will not succeed, but will stir up a lot of feeling and embarrass treaty making.

President Directs Relief

President Roosevelt plans to devote quite a disproportionate portion of his time to work relief administration. Hopkins, Ickes, President Wood of Sears, Roebuck, and Admiral Peoples will do a lot of advising. But decisions come from "papa" (his own term).

Congress for Holding Companies

The utility holding company battle is unchanged. The President will stand by his demand for death sentence on a day certain, subject to postponements for particular cases in the discretion of the government. Congress is determined to eliminate death sentence, leave drastic regulation. Date of enactment is highly uncertain.

Richberg Cautious

Donald Richberg is not anxious to test any phase of NIRA before the Supreme Court until he is satisfied that the code in question is just what it should be. This is the explanation of the decision to drop the Belcher lumber code case, made by the Department of Justice but concurred in by

NRA. This decision means that probably no test of NIRA will be made by the high court before next winter, but that does not bother Richberg. In the lumber code NRA did not want to continue some sections anyhow, so had no interest in winning the Supreme Court fight, even if victory were assured. The dubious provisions permitted production control by the industry itself, something not included in any other code.

Boost to NRA Morale

The President's letter to Richberg stressing code enforcement is simply an effort to boost the morale of NRA personnel—nothing more. Richberg's testimony before the Senate Labor Committee clearly indicated the obstacles to enforcement of the codes.

Brazilian Blues

Brazilian cotton reports continue to disturb Capitol Hill—especially Southern senators and representatives. Word that pessimists in Brazil have been discounting the cotton future of that country is more disturbing than what alarmists here have been saying. Brazilian authorities point out to their people that they can increase production only so long as the United States holds up the price. They predict that U.S. cotton "valorization" and loans will crash just as their coffee bubble burst, that U. S. cotton planting restrictions will fail as did their coffee limitation of acres and for the same reason. What happened to Guatemala and Colombia on coffee after Brazil stopped restricting will happen to Brazil on cotton after the United States stops—so Brazilians say. Even more disturbing, Brazil can sell cotton at 6c. with a profit.

Oil Code Helps Big Boys

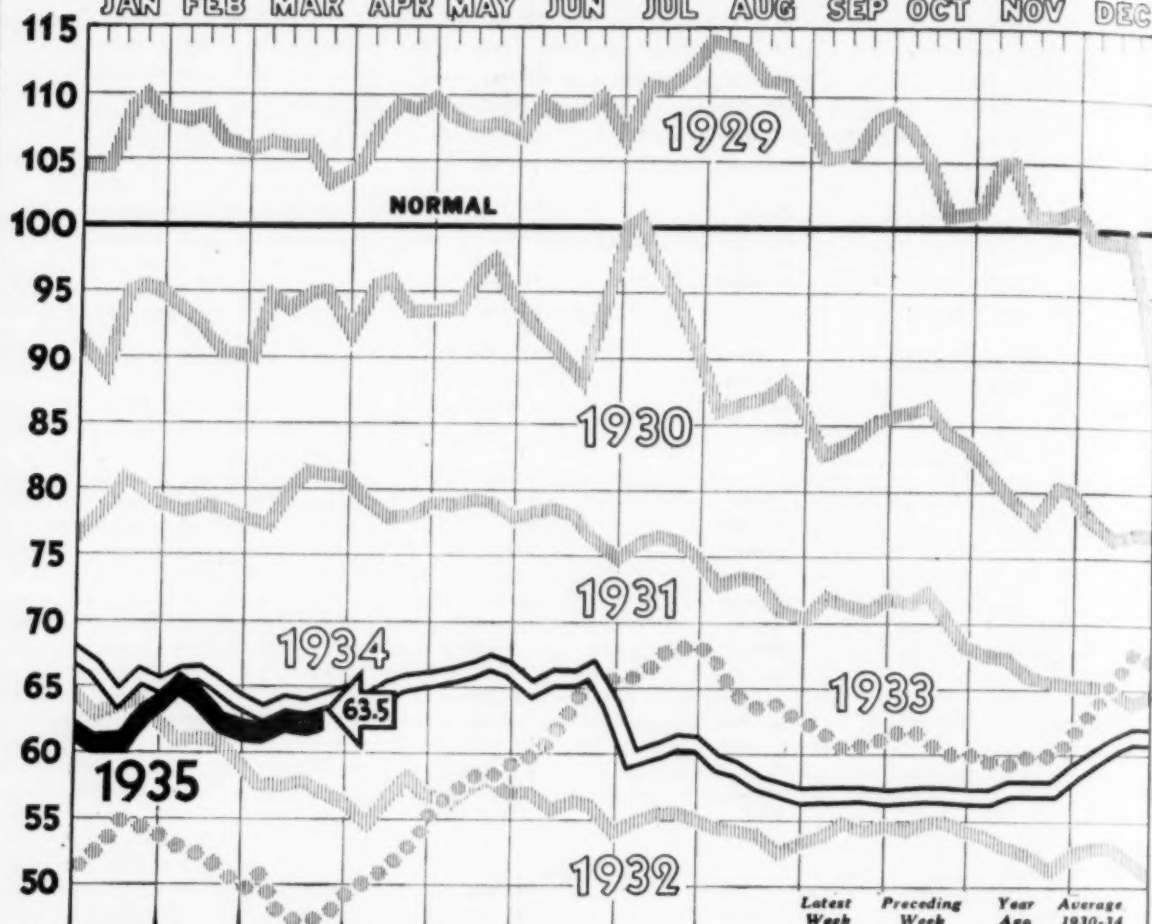
Secretary Ickes' oil code survey committee surprised the Administrator this week by reporting in effect that he had played into the hands of the big companies. The committee's recommendation that the big producer-refiner companies should be broken up and forced to stop covering marketing losses with big profits in refining will find favor in Congress.

British Pound Policy

The British government is relentlessly pursuing the policy of depressing the pound emphasized from time to time in the last 2 years by *Business Week*. Those urging stabilization of the dollar and pound in the interest of international trade overlook the underlying necessity of Britain's reducing the annual interest burden of her internal debt.

WEEKLY INDEX OF BUSINESS ACTIVITY

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*63.5	†63.1	64.6	69.5
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	46.1	46.8	45.7	42.7
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$3,833	\$3,473	\$5,186	\$7,544
★ Bituminous Coal (daily average 1,000 tons)	*1,484	1,467	1,427	1,266
★ Electric Power (millions K.W.H.)	1,725	1,728	1,658	1,597
TRADE				
Total Carloadings (daily average 1,000 cars)	100	98	105	109
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	65	64	66	73
★ Check Payments (outside N. Y. City, millions)	\$3,782	\$3,349	\$3,279	\$4,187
★ Money in Circulation (daily average, millions)	\$5,470	\$5,476	\$5,351	\$5,262
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	\$.96	\$.95	\$.82	\$.69
Cotton (middling, New York, lb.)	\$1.13	\$1.11	\$1.21	\$1.03
Iron and Steel (STEEL, composite, ton)	\$32.33	\$32.38	\$31.34	\$31.01
Copper (electrolytic, f.o.b. refinery, lb.)	\$.088	\$.088	\$.078	\$.092
All Commodities (Fisher's Index, 1926 = 100)	81.0	81.7	74.1	72.1
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	\$2,458	\$2,465	\$2,518	\$1,808
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$18,498	\$18,522	\$17,519	\$16,914
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,590	\$4,578	\$4,643	\$5,075
Security Loans, Federal Reserve reporting member banks (millions)	\$3,050	\$3,121	\$3,553	\$4,012
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$929	\$1,005	\$988	\$744
Stock Prices (average 100 stocks, Herald Tribune)	\$94.76	\$93.90	\$101.88	\$118.31
Bond Prices (Dow, Jones, average 40 bonds)	\$94.59	\$94.56	\$92.59	\$87.99
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1-11%	2.9%
Business Failures (Dun and Bradstreet, number)	240	232	236	473

* Preliminary † Revised ★ Factor in Business Week Index ‡ Four-year average; 1933 not reported † 1932-34 average.

The Business Outlook

BUSINESS sentiment seems unduly pessimistic regarding second-quarter prospects. Any slowing of pace is a signal for discontent, a bid to lay caution on thicker, rather than a challenge to go after sales. First-quarter manufacturing activity took its cue from the motor industry whose sudden call to action set suppliers flying. Now that "normalcy" has been attained, there is a let-down feeling.

Actually, motor companies plan to make the second-quarter output about equal to that of the first quarter, though, as usual, production will taper off from the April peak to June. The big motor selling season is at hand. Construction and related fields, such as lumber and cement, should begin to revive; first March reports indicate that a start has already been made. The lateness of Easter insures retail merchandisers of a long spring season, a minimum of long shutdowns.

Payroll Rise Significant

Payrolls in manufacturing industries, one of the most vital indicators of business recovery, reached in February the highest level of the current revival, a 73% gain over the March, 1933, low. Both employment and payrolls made larger increases over January than have been reported for 16 years, 1934 excepted. Especially noteworthy were those in men's clothing, automobiles, steel, building materials, railroad shops. Decreases were largely seasonal, appeared in beet sugar, slaughtering and meat-packing industries. General unemployment declined 2.4%, but is still large enough to disturb relief distributors.

Small Production Increase

Due largely to reduced activity in textiles, meat packing, and tobacco, manufacturing production, as measured by the Federal Reserve Board, increased less than customary for February. The adjusted index of industrial production which includes mineral output as well, dropped from the January peak of 91% of the 1923-1925 average to 89%. Following an expansion of manufacturing in January which was much greater than customary, the slight decline in the adjusted figure was to be expected. March output probably stayed close to these levels, making a satisfactory showing for the first quarter.

Gains and Losses

Business Week's more general index of business activity which takes account of the much-depressed state of construction will fall 3% short of the first quarter of 1934, despite the gains made in steel, coal, electric power and

check transactions. The irregular trends of first-quarter trade volume are apparent from these preliminary estimates of changes from the same period of 1934: manufacturing, +12%; automobile, +44%; steel, +20%; electric power, +6%; check payments, +14%; construction, -37%; cement, -20%; bituminous coal, +6%; carloadings, -1%.

Textile Curtailment

The cotton textile industry's growing dilemma of high costs, consumer resistance to high prices, foreign competition, and increasing stocks is now to be met by a 12-week curtailment of operations in those branches of the industry whose supply and demand factors are most out of line. This temporary expedient was utilized last summer to bolster the price structure. It contributed to the labor discontent that culminated in the September strike. It is not likely that a 30-hour week with 30 hours' pay will be any more acceptable now.

Belated Wool Buying

Wool mills are kept busy under the combined purchases of motor and clothing industries, together with government buying. However, this represents in many instances belated volume, taken at prices that will yield little if any profit.

Controls Used on Prices

Restrictions designed to bolster prices are being resorted to in both copper and rubber. Curtailment of copper production outside of the United States plus some curb on our copper exports is expected to lift foreign copper prices nearer to the 8c.-per-lb. level. Sudden announcement of reduced rubber quotas jumped prices of crude in the United States, may help sustain tire prices recently subject to special sales.

Building Shows Promise

First returns on March construction activity give promise of a spring rise. Though all principal categories are below last year's level, the gains over February daily averages are substantial. Residential awards in the first

half of March ran 31% ahead of the preceding month; non-residential, 16%; public works and utilities jumped 58%, are nearly equal to the entire month of February. Alteration, repair and modernization jobs continue to show substantial progress over last year's level. The work-relief bill will provide additional support to the construction industry, but there is doubt that it is large enough, despite its record size, to absorb the 3.5 million quota of unemployed.

Motor Rush Is On

Motor production reached the 100,000-a-week mark last week, the highest level for any week since 1930. The next few weeks are expected to stabilize around this level before tapering off in May and June. Close watch is being kept on sales records, and production programs are subject to sudden adjustment. General Motors begins its spring sales campaign in 51 cities on Apr. 6, intent on making the best record possible. Last year sales (cars and other products) were valued at \$843.8 millions, a 48% gain over the \$569 millions of 1933.

Low Prices for High Volume

President Sloan's report to stockholders of General Motors contains the interesting suggestion that industry's objective should be "a more vital contribution to industrial recovery through a reduction in prices in order to reach a greater number of buyers."

Coal Drop Ahead

Coal production continues to climb contrary to usual seasonal trends, as the Apr. 1 strike difficulties fail to find solution. A precipitous drop to summer levels is in store even without a strike.

Steel Rush Subsides

Rush orders on steel are no longer required by automobile manufacturers, but second-quarter shipments will still be in fair volume. Besides, support is coming from can, farm, and household equipment makers, who are stepping up operations.

Lumber Has Code Troubles

Lumber people were distressed to learn that the government had decided to drop the Belcher case involving wage and hour violations on the grounds that other planks in the code on which NRA is dubious would be called into question, such as the production control power of the Lumber Code Authority. An adverse decision on these clauses might further weaken the NRA cause. The industry feels itself left with an "incapacitated code," none of whose provisions appear enforceable.

Modernization Cuts Power Costs 40 per cent

THE U. S. Metallic Packing Company, Philadelphia, alert to increase its operating efficiency and flexibility, completely revised, some three years ago, the drives for its machine shop, utilizing, among other new equipment, 60 G-E motors and suitable G-E control.

Mr. Elliot Curtiss, President, today summarizes the advantages gained:

1. 40 per-cent average saving in power bill
2. Ease and economy of operating individual machines
3. Increased safety for personnel
4. Greater cleanliness and better working conditions

Much profitable modernization is accomplished a little at a time, and with relatively small outlay; **BUT the SAVINGS START with the FIRST SOUND CHANGE.**

Does any of your apparatus, although doing the job it was designed to do years ago, now operate below modern standards of output and efficiency? Encourage your employees to search for opportunities to save you money by replacing obsolete equipment. Sales engineers in the nearest G-E office will gladly discuss with you any problems of modernization which can be solved electrically. General Electric, Schenectady, New York.

011-57

GENERAL  ELECTRIC



BUSINESS WEEK

MARCH 30, 1935

Work Relief—Business Relief

Federal job-making measure gives Administration practically a free hand to spend its recovery fund in ways that will prime the pump for business.

WASHINGTON (Special Correspondence)—Too big, but not big enough, is the general consensus of business opinion about the \$4-billion-odd work relief measure. From the standpoint of public credit, the view taken by Senators Glass of Virginia and Adams of Colorado, that it adds too much to the public debt, has considerable support. From the original Roosevelt objective—of giving every unemployed but "employable" person a job—it is not big enough—not anything like.

The bill, directly and indirectly, will provide a prodigious amount of employment, however, even if it does not make the hole in present unemployment figures which the Administration had talked about. Not only will there be the jobs actually created and the purchase of materials to keep them going, but the secondary effect on those who sell to and serve the people, thus providing them with something to spend.

"Writing on Sand"

President Roosevelt has had his own way to an amazing extent, emerging from the gas-filled Senate, despite all the appearances of a full-sized and lusty insurrection, with just about what he wanted in the first place. True there was some elaborate "earmarking," which the Senate was determined to write on paper. So far as legal effect is concerned the writing was on sand. The only actual restraint on the President is that he has the writing before him—he knows what caused it to be written, and he may be inclined to keep individual senators who wanted particular things in a good humor.

Actually the amendments were so loosely written, so interwoven one with the other, that even if he did not have the specific authority to move any item up or down 20% of the total of the \$4 billions, he could do pretty much as he pleased.

For example, take one of the most inelastic—apparently—of the earmarking amendments—that appropriating \$40 millions to keep the schools open. The President is authorized in another section to increase or decrease this—or any other—amount by 20% of \$4 billions! So there is no legal restriction—

only the knowledge that if he wiped out this allotment altogether he would mortally offend some senators who approved it, and would be criticized by several million school teachers and fathers and mothers of school children.

Much of the money will be spent in ways that will be very helpful to business. For instance, the \$900 millions tentatively set aside for loans to states, cities, counties, or "authorities" for so-called non-federal projects. Like the PWA expenditures, these will be slow in providing anything. But eventually there will be the jobs, and heavy purchases of cement, turbines, railroad freight, and whatnot.

The \$800 millions for highways, grade crossings, etc., will work the same way, save that the effects will swing into action much more quickly. Neither of

these classifications produces a large proportion of direct jobs to the money spent, but both run heavily to materials, machinery, and the like.

Business has clamored somewhat against the \$100 millions for rural electrification. Yet regardless of what agency—whether government or privately owned—brings the electricity to the house, the householder thereupon becomes a customer for electrical appliances, and thus helps to stimulate business. The original activity, of course, provides some jobs, and some material purchasing.

There is not much percentage for business in rural rehabilitation, which overlaps earmarkings for soil erosions, flood control, rivers and harbors, etc. But there is some, and of course the jobs, though few proportionately, are there.

Best Job-Making Job

The most efficient job-producing agency is probably the Civilian Conservation Corps, for which \$600 millions was earmarked. The work is not too useful, though it has some value. But it provides more jobs per dollar than anything save direct relief. Moreover,



TUNNELING IN—Determined to make a big hole in that estimated figure of 10 million unemployed, the Administration at last has its relief fund coming through to give more men more work on more projects like the 2 Midtown Hudson Tunnels which the Port of New York Authority is building for vehicular traffic between Manhattan and Weehawken, N. J., on a \$37.5-million PWA loan. Now out under the river, these sand hogs have already burrowed their way about 1,200 ft. from the Jersey entrance. At the Manhattan end only 440 ft. have been dug.

International News

in the broad latitude given the President in transferring funds from one agency to another, this is a prize example. For instance, if he wanted to spend considerably more than the earmarking made available for soil erosion work, or rural electrification, or whatnot, he could let the CCC boys work on that, whereupon their wages would not be charged against the favored project, but against CCC.

Housing's \$400 millions presents a two-edged sword to business. If the government confines itself to low-cost housing of the cheap apartment house type, the net effect would probably be beneficial. It would provide the original jobs, and it would necessitate heavy purchasing of materials. It would not compete with private building to any great

extent because the return on the investment in this type of construction has not been attractive.

But if the government should go into cheap individual home construction with this money, the effect on private builders would be almost disastrous. They would not dare compete with the government, and for many of them, with so much other construction paralyzed, it would virtually mean closing up shop.

The President has no precise ideas yet what he will do for white collar workers, though indications point to something of the census-taking variety.

Meanwhile the bill is no longer \$4.88 billions. Some of the \$880 millions is being spent every day. It is not far from \$4.6 billions as this is written.

and by replacing overhead wires with underground equipment, thus improving the appearance of city streets and avoiding the toll of storms. Consolidated Gas of New York spent over \$20 millions last year, partly due to the new subway system. Southern Bell Telephone & Telegraph spent \$10.2 millions in 1934; appropriated \$10.7 millions for similar construction improvement for 1935. Southern California Edison's extensions to its distribution facilities cost more than \$1 million last year, while appropriations for the current year top \$1.6 millions.

More Chemical Capacity

Business gains in the chemical industries provided the spur to increased plant capacity in 1934. DuPont added \$16 millions in new facilities, \$11 millions in renewals and modernization. Union Carbide & Carbon constructed new plants in Indiana, West Virginia, and elsewhere to the tune of \$15.8 millions.

Drilling and equipping new wells, and improving refinery facilities, terminal and delivery equipment absorbed \$24.9 millions of Gulf Oil's cash. Phillips Petroleum spent \$11.2 millions; Sun Oil, \$7.7 millions.

Important companies of the miscellaneous group together with their expenditures for new plants or equipment are General Motors—\$24 millions; International Business Machines—\$7.5 millions; General Electric—\$5.3 millions.

Steel companies increased their repair

Recovery Spending

Industry's interest in modernization shows up in sampling survey of how companies and groups are spending and budgeting for plant and equipment changes.

SOME 36 industrial corporations whose individual expenditures for plant and equipment extensions and improvements exceeded \$1 million in 1934 collectively spent over \$405 millions. If the outlays of Class I railroads are thrown in, the combined expenditures intended to put the economic machine in shape to weather competitive storms reached the impressive total of more than \$618 millions. Almost half of the industrial total is accounted for by the \$174.5 millions plant additions made by A.T.&T.

Industrial groups included in the *Business Week* survey based on annual reports are as follows:

Industry	1934 Plant and Equipment Improvements
10 Utility	\$215,275,237
5 Chemical	47,618,556
3 Oil	43,843,699
5 Miscellaneous	39,495,440
5 Steel	29,878,713
2 Food	11,983,000
3 Can	9,504,755
3 Merchandise	8,388,500
36 Companies	\$405,987,900
Class I Railroads	212,712,000
GRAND TOTAL	\$618,699,900

These expenditures represented long-delayed equipment improvements, as well as additions and extensions to plant and property required to handle prospective business volume at minimum costs. In many instances, the new plant and equipment added was valued at lower figures than old equipment retired, leaving a smaller but more mod-

ern plant on the books at the end of 1934 than at the end of 1933.

Utilities, whose absence from the construction market has been so often deplored, rolled up a neat total of expenditures by installing new facilities for transmission and distribution of power,



AIR CASTLE AUDIT—Owen D. Young, board chairman of the General Electric Co., inspects some of the 2,000 sets of plans submitted in G-E's \$21,000 "Home Electric Competition," while Frank T. Walker, chairman of the jury of awards which announced the 52 winners last Saturday, looks on. Notable feature of the plans—aside from the number of electrical appliances which they specified—was the fact that 75% called for flat roofs. Concrete, stucco, and brick were favored construction materials, although one major prize winner specified steel construction.



TWO BRIGHT YOUNG MEN—Slated for leading rôles in the work relief program, Rexford Guy Tugwell (left) and Harry L. Hopkins leave the White House after a conference on their respective spheres of relief activity: land use and housing. Undersecretary Tugwell has a right to his jaunty smile; last week he also saw the President draft a strong message on food and drug legislation.

and maintenance provisions, but did little in increasing capacity last year. Bethlehem's repair costs exceeded \$19 millions in 1934 against \$13.6 millions in 1933; U. S. Steel spent \$51.9 millions, a 32% increase over the \$39.3 millions of 1933. At the close of 1934, unexpended funds for U. S. Steel plant improvements totaled \$20.5 millions, while in February, 1935, \$47 millions were appropriated to modernize the mills. The company believes this is just the beginning of expenditures required to put the plant in first-class order.

Marshall Field credits the profit record of its State Street, Chicago, store to the modernization program which included \$630,000 for new escalators.

The drive for modernization just began in 1934. The current year will see a further increase. Standard Fruit & Steamship Co. admits that it must make substantial expenditures for improvements in 1935, must install refrigeration equipment on 4 of its largest steamers. United Fruit appropriated \$5.5 millions for its 1935 program, has \$2.6 millions left over from last year. Monsanto Chemical, which spent close to \$2 millions last year for new facilities, is planning to add \$4 millions more this year. Associated Oil Co. is scheduled to spend \$8.9 millions in California this year, the most extensive capital expenditure undertaken since 1928. The list grows daily.

Food and Drug Bill to the Fore

Industry's endorsement, the President's message, the Senate Commerce Committee's report of the final bill inaugurate new era in food and drug fight.

ON Tuesday evening of last week, Charles Wesley Dunn, counsel for the Associated Grocery Manufacturers Association and spearhead of industry's 2-year attack on the Department of Agriculture's proposals for food and drug legislation, spoke over NBC's red network urging consumer support for the final compromise draft of the Copeland bill which the Senate Commerce Committee was then whipping into shape. First such message to issue from

industry's ranks, it was an important milestone in the inevitable evolution of an attitude: from opposition through resignation to acceptance.

On Thursday, Senator Royal S. Copeland and Undersecretary of Agriculture Rexford Guy Tugwell called on the President, participated in a White House conference on the bill. Another milestone—this one indicative of a reconciliation within the Administration of radical and conservative points of view.

On Friday, with the road well paved for it, came the final draft of the bill, together with the favorable report which the committee achieved only after voting down 2 recommendations sponsored by Senators Bailey and Clark. The first, a move to substitute the Federal Trade Commission for the Department of Agriculture as the body responsible for regulation of advertising, was defeated 11 to 3. The second, a move to postpone consideration of the measure for one more week, was squeezed out by a vote of 8 to 6 on Senator Copeland's promise that the bill would not be brought up for consideration on the floor of the Senate for at least 2 weeks—a promise which observers believe the Senator was entirely safe in giving, in view of the many other pressing measures sure to delay action on it.

President Anticipates Legislation

Also on Friday, however, came assurance that the bill definitely would find a place on the agenda for this session as a part of the Administration's reform program. Long rumored, the President's message to Congress came none the less as something of a surprise—both in fact and content. Scrupulously avoiding any direct reference to the Copeland bill—"I understand this subject has been studied and discussed for the last 2 years"—the message pointed simply to the need for new legislation to "protect the honor of our producers and provide the possibility of discriminating choice to our consumers."

In at least one respect, the message suggested that perhaps Mr. Tugwell's call on the President the day before had been more than just window dressing. To canners particularly its emphasis on the need for quality "standards" (note the use of the plural; the Copeland bill provides only for a minimum standard) was somewhat disconcerting. "The various qualities of goods require a kind of discrimination," said Mr. Roosevelt, "which is not at the command of consumers. They are likely to confuse outward appearance with inward integrity. In such a situation as has grown up through . . . our multiplication of goods, consumers are prevented from choosing intelligently and producers are handicapped in any attempt to maintain higher standards."

Grading Advocates Cheered

To standards advocates who had seen their favored quality grading proposals go by the board in the course of compromising, these words at least suggested that the Administration would not discourage their efforts to restore grading provisions to the measure in the course of congressional debate. Much more important to them, however, will be the fight to hold what they have already won, for—the President's strong message notwithstanding—the Proprietary Association has already served no-

tice (in the form of a revised House bill (BW—Jan 19'35) introduced by Representative Mead) that it will continue to fight the Copeland bill.

If the President's message was something of a surprise, the final draft of the bill was not, for most of the major revisions were clearly indicated at the last public hearing (BW—Mar 9'35).

Seven Major Changes

Major changes include:

(1) The Secretary's power to expand the list of diseases, for which the advertising of curative claims would be forbidden, has been deleted. Infantile paralysis has been added to the *verboden* list, bringing the total to 5.

(2) Factory inspection provisions have been revised to clarify their constitutionality and to prohibit definitely (rather than by injunction) the sale of products from factories which refuse to admit department inspectors.

(3) Consolidation of all court cases arising out of multiple seizures and choice of jurisdiction by the manufacturer have been provided.

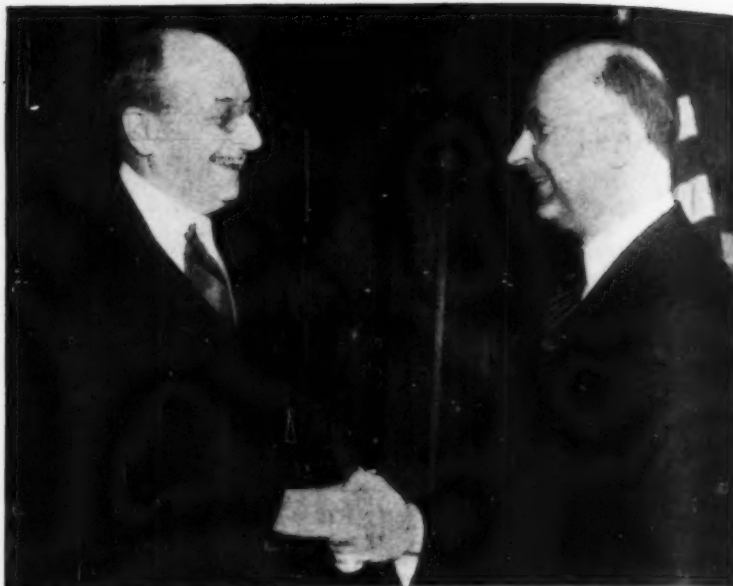
(4) The provision that a drug advertisement must be true "in every particular" has been modified by deletion of the quoted clause.

(5) Specific requirement has been made that the quantity of alcohol—if any—must be declared on drug labels.

(6) The Secretary has been empowered to grant exemption from labeling requirements if they are "impracticable."

(7) All soaps have been exempted from cosmetic control provisions.

Although there is the possibility that the medicine manufacturers and others who still remain in the ranks of the irreconcilables may unlimber enough big guns to make further discussion of the bill sound like a real war, there is little likelihood that the essential agreement



DOUBLING IN JUSTICE—Attorney-General Homer S. Cummings and his new Solicitor-General, Stanley Reed, not only look alike—the resemblance is actually not as marked as it appears in this picture—but from now on they must of necessity think alike as they plan the New Deal's defense in the many suits now pending against the Administration's legislative and executive actions.

of the Administration and leading industry groups will be disturbed. Both have good reasons to preserve the love feast so carefully laid at the last public hearings. Industry is tired of the 2-year wrangle, is genuinely worried about shaky consumer confidence, realizes it could probably get no better bill in the future, doesn't want to see the food and drug question intruded in next year's campaign as it was in 1904. Also concerned about this last contingency, the Administration would like to wind up the fight this year and thus fulfill one more of its reform promises.

chain operators a change of heart cite the fact that drug chains have joined promptly in the rising complaint of drug wholesalers and retailers that certain corporate and voluntary chain organizations whose major lines are not drugs, have decided to stop merely casting envious eyes at the handsome profits made on drug store lines and are beginning to elbow their way into the business.

Chains Back Boycott

Several chains endorsed the demands for such drastic measures as boycotting manufacturers whose goods are found on the shelves of non-drug outlets, having wholesalers exact a pledge of purity from their suppliers, and persuading retailers to ban the goods of wholesalers who sell to other than drug stores. Wholesale and retail druggists of Oregon and Washington actually voted to stop all drug sales to 5¢-\$1 variety stores. Ohio druggists tried to have the state Department of Health stop the sale of drugs and packaged medicines in non-drug outlets. Similar moves have been made in other states.

Retailers in other lines who have been listening to this chorus say that the drug stores are getting no less than they could expect after having invaded and undermined conditions in almost every line of retail trade. They quote from the 1929 Census of Distribution which showed that the 34,844 drug stores in the country with fountains (which accounted for 60% of the total number), obtained only 43.8% of their sales volume from strictly drug-store lines such as prescriptions, surgical and rubber goods, drugs, packaged medicines, etc.,

Glass Drug Stores

While other retailers are thinking up a bright answer to druggists who throw stones at "outside" competition, worried chain operators and kindly legislatures promise to ease price-cutting in the trade.

ENACTMENT by the state of New Jersey of a so-called Fair Trade Law (BW—Mar 23'35) which permits the Capper-Kelly style of resale price-fixing, prospective early passage of such laws in Iowa, Oklahoma, Texas, Wisconsin, and a wide-spread movement to obtain similar legislation in all Eastern states, is worrying drug chain executives.

Coming at a time when there are plenty of other troubles, these dangerous thrusts at the foundation of chain store technique are expected to force drastic revisions of policies which may eventu-

ally leave most of the chains aligned with the independents in protecting the trade against fly-by-night and non-drug competition.

They are already disturbed by the arrival of the super-market with its sale of drug store items at sub-chain prices; by the rise in practically every fair-sized city of cut-price stores that handle most of the fast-moving packaged drug, toilet, and cosmetic items; and by keener competition from non-drug outlets.

Those who feel that such doses of their own medicine are giving the drug

while the remaining 56.2% represented sales of beverages, cigars, cigarettes, candy, food, stationery, electrical goods, toys, novelties, and other items that at one time were sold exclusively by retailers in those lines.

New Worlds to Conquer

These non-drug retailers also point out that, even while the drug trade was campaigning against selling of drug products by non-drug outlets, the members of the 3 important groups of corporate drug chains were meeting in New York and planning, among other things, to expand their lines by adding paints, varnishes, lacquers, and fast moving household and hardware items.

However, despite such efforts to broaden "drug" lines and price-cutting activities still further, the opinion is gaining force that drug stores in general and drug chains in particular are finding it less interesting and profitable to explore new and strange pastures, are paying more attention to stabilizing prices and profits on the lines they now handle. In some quarters it is even predicted that, before long, important drug chains will stop opposition to some legalized method of price control and, in so doing, tacitly line up with C. R. Walgreen, head of the Walgreen chain of drug stores who in 1932 projected a plan that involved legalized control of minimum retail prices (BW—Jun 15 '32).

Several manufacturers of nationally distributed brands say that they have had less trouble with chains in main-

taining established sales policies, have found them more willing to cooperate. They point out that on many important lines, profit margins that were previously satisfactory have dwindled away to the vanishing point, because the "dozen-lot" rule in the retail drug code has lowered the level of all prices. They contend that many chains need bigger profit margins all along the line, and, for that reason, would welcome the enactment in other states of fair trade laws such as those of California and New Jersey.

Students of competitive conditions in the trade say that the price situation is improving in many trading areas. They cite as valuable aids to that end the

concerted efforts of drug manufacturers (BW—Apr 28; Jun 30 '34), the stabilizing influence of the McKesson & Robbins, Inc. chain of 66 wholesale drug houses, the recent entry into the wholesale field of United Drug Co., which already controls 594 Liggett and Owl stores and cooperates with 10,350 independents who have Rexall licenses.

They also call attention to the fact that an analysis of answers submitted in a contest sponsored by the manufacturers of Pepsodent tooth paste showed that 92.4% of the 2 million-odd consumers had paid for the product at least the minimum price established under the code, indicating a highly satisfactory state of stabilization.

Little Man, How Big?

Small manufacturers of men's clothing repudiate a champion, urge extension of NIRA while the Senate investigates attacks on their code.

How big is a little fellow? And how are you going to protect a group of little fellows mixed in with a lot of big fellows?

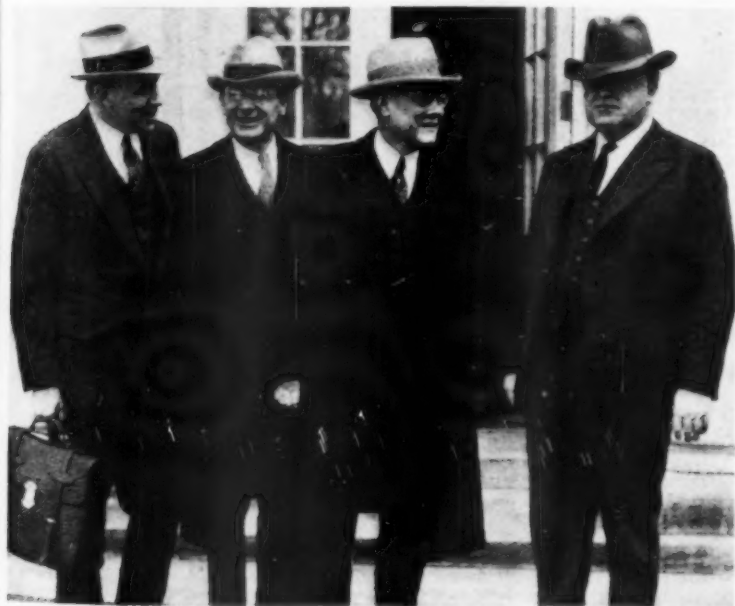
These posers confront the U. S. Senate Finance Committee conducting the investigation on the Blue Eagle and the National Recovery Administration. Though common to all industry, the

questions become a whirl of ugly passions in the case of the emotional men's clothing industry. Opposing are 2 organizations, one strongly pro-code, the other vehemently anti. Claim that the latter group is fighting for the embattled little fellow is violently protested by a large chorus of small timers. Actually the division is on differing opinions toward organized labor. The feud is doubly significant because a union directly involved is the powerful Amalgamated Clothing Workers, headed by shrewd Sidney Hillman, labor representative on the NIRA.

The rival organizations are the Industrial Recovery Association of Clothing Manufacturers (open-shop and anti-code), and the Clothing Manufacturers of the U.S.A. (pro-code and mostly unionized labor). The latter group is accused of dominating the code authority, of setting up therewith a "court" in the clothing industry, of using NRA powers to harass members of the Industrial Recovery Association, of attempting to force business from the non-union small-town shops, back into such highly unionized cities as New York, Chicago and Rochester.

Hard to Follow

Indicative of the confusion is the fact that Senator Nye, North Dakota liberal Republican who champions the small business man and whose munitions investigation made page-one news, has lent support to charges made by the Industrial Recovery Association. Better brains than Senator Nye's have been confused by the shifting intricacies of the needle industries, have been influenced by cunning political moves made for money reasons. The battle between the



A GOOD JOKE—ON SOMEBODY—After his well-advertised love feast with Donald Richberg (left), unsmiling John L. Lewis of the United Mine Workers (right) surely can't have decided that it's on him. In the middle—as they have been right along in this Richberg-Lewis dispute—are (leftward) Sidney Hillman, labor representative on the National Industrial Recovery Board, and President William Green of the A.F. of L. The occasion was a White House visit to celebrate the rapprochement of the Administration and labor.

Wide World

2 organizations is just one more engagement in a long inter-industry war. One group left the unionized centers to establish non-union low-pay shops in smaller towns, the other remaining in the high-pay unionized cities.

Flight from the unions reached its height at the bottom of the depression. A city manufacturer paying union wages could not come within shouting distance of prices quoted by competitors in small towns who paid as little as possible to unorganized workers. Along came the code days with their demand for an industry organization to cooperate with NRA. Union labor shops saw a chance here to curb their runaway rivals. They formed the Clothing Manufacturers of the U.S.A. Everybody was invited to join, but the larger non-union boys smelled a spider in the parlor and refused to serve as flies. They organized their own Industrial Recovery Association, so named for publicity purposes.

Put on the Spot

The Clothing Manufacturers claim 85% of the industry's production. Aided by union heads, they dominated NRA policy. Industrial Recovery Association members, representing 15% of output, were on the spot. Wage and hour reforms were aimed squarely at them. Instead of paying wages as low as \$3 for a 60-hour week, they were impaled with a minimum wage of \$14.40 (less 10% in the South) for a 36-hour week. And Section 7-a invited organization.

However, the minority was anything but hopeless. Largest 3 companies in the category are Greif and Schoeneman (of Baltimore), Curlee Clothing Co. (of St. Louis). Their factories are mostly in outlying towns. Probably Greif has caused the NRA more grief than any one concern. It fought the constitutionality of 7-a in the courts (*BW*—Jul 28 '34,) it denied the right of NRA to force the use of Blue Eagles on its garments, it denied the right of NRA to refuse it labels in a recent labor argument. There has been a constant stew, with the non-unionized companies yelling "un-American regimentation" and "unconstitutionality," with their competitors charging chiseling and infractions of 2-b of the code which seeks to keep established wage differentials between highly-skilled and low-grade labor, thereby preventing a reduction of higher wages to the minimum.

Admits Code Benefits

Now that the Blue Eagle is down, the non-union minority is trying to put him out. Testifying before the Senate committee, Francis M. Curlee, of the St. Louis concern and counsel for the Industrial Recovery Association, declared for the right of manufacturers to run their businesses without interference, said he opposed the code authority because it was dominated by his powerful unionized rivals. He did admit that

the industry had received better prices, better profits, that workers had received higher wages under the code.

Attacks on the code authority by Mr. Curlee and Senator Nye were weakened by a group of small manufacturers who repudiated the Industrial Recovery Association and, for good measure, Clarence Darrow. They ran full-page newspaper advertisements bearing 867 names which asked Congress to "renew the National Industrial Recovery Act." The text charged that the Industrial Recovery Association is composed of large manufacturers, that Greif, Curlee, Schoeneman employ more workers than the first 300 signers of the advertisement. It alleged that Curlee in 1933 demanded abolition of small, scattered shops. Finally, "This same Association and their same mouthpiece assisted by paid lobbyists now raise pious voices in behalf of the small business man."

A funny thing about the Blue Eagle is the number of friends that show up when people start kicking him around. Senator Barkley, of Kentucky, got very huffy over an alleged intimidating telegram by a friend of Francis M. Curlee. Result: Mr. Curlee and witnesses that followed were put under oath and the records of his association were demanded. Other senators bored in with questions that brought out facts favorable to NRA. The end is not yet. Gen. Hugh S. Johnson (NRA, retired) probably grins into his typewriter as he continues his literary endeavors.

Lamps Turned Down

Price of incandescent lamps goes down as invasion of cheap Japanese bulbs keeps up.

IMPORTANT manufacturers of incandescent lamps are announcing price reductions effective April 1. Cuts by General Electric drop the popular household sizes 25%, take about 21% off larger lamps—with President Gerard Swope noting that this seventeenth downward adjustment in 14 years brings average prices to just about one-third of what they were in 1921. Prices on Westinghouse Mazdas come down to similar levels so that the company's popular 60-watt size is cut to 15¢, although it gives 44% more light than a comparable 1920 model, which cost 45¢. Hygrade Sylvania Corp., one of the largest manufacturers outside of the Mazda family, includes in reductions averaging 25% a wide range of special types. Other manufacturers are expected to follow suit.

Japanese Bulb Flood

Meanwhile, all makers of incandescent lamps are wondering how far the recently renewed invasion of the market by foreign makers, particularly Japanese, is likely to go. It is recalled that 3 years ago Japanese manufacturers broke into the American market with a line of lamps that, in appearance, differed little from the products of the best domestic makers (even included an



JOURNEY'S END—For decades hence, last rites in many a famous trial will be celebrated before this austere bar of justice in the Supreme Court's chaste new building. Whatever decisions critical to the New Deal are handed down here by "the 9 old men," that long-awaited ruling in the Belcher lumber case will not be one of them, for the Justice Department is seeking dismissal of its appeal. Official explanation of this action is that the lumber code goes further than others in delegation of power, does not provide a satisfactory test of NRA which apparently will avoid a final decision on its constitutionality as long as possible.

Down

mps goes
ap Japa-

of incan-
s price re-
Cuts by
lar house-
21% off
at Gerard
eventeenth
ars brings
one-third
Prices on
down to
company's
o 15¢, al-
ht than a
hich cost
one of
de of the
reductions
of special
expected

and
incandes-
w far the
the mar-
arly Japa-
alled that
ufacturers
et with a
nce, dif-
s of the
luded an

etched-in trademark whose curlicues
looked strangely like the well-known
G-E initials). Chain variety and drug
stores offered these lamps at 10¢ each
and did a land-office business.

Up to then, important American man-
ufacturers had considered 1,000 hours
burning-service the minimum standard
for the American consumer. When they
found that the public was willing to
buy lamps that showed only a few hun-
dred hours of life, they decided to bring
out a 500-hour lamp for 10¢ to meet
the invasion and, by that strategy, were
able to recapture much of the trade they
had lost.

Now, American makers are once
more in a dilemma. Recently Japan has
been reaching the retail trade with what
are advertised as 1,000-hour lamps.

Chain stores are selling the popular
sizes at 5¢ or 6¢ each—which means
that they must be buying them at less
than American makers have to pay in
labor per lamp, to say nothing of material,
transportation and distribution
costs, and fixed overhead. The 50,000-
odd independent retailers who depend
on lamp sales to supply an important
part of their monthly income are wonder-
ing whether foreign makers, using
the chains as vehicles, are going to drive
them out of the field.



Harris & Ewing

ATTACKER—Francis M. Curlee, St. Louis clothing manufacturer and counsel for association of open-shop companies, started fireworks in testifying against his code authority at the Senate's NRA hearings.

etched-in trademark whose curlicues looked strangely like the well-known G-E initials). Chain variety and drug stores offered these lamps at 10¢ each and did a land-office business.

Challenge Met

Up to then, important American manufacturers had considered 1,000 hours burning-service the minimum standard for the American consumer. When they found that the public was willing to buy lamps that showed only a few hundred hours of life, they decided to bring out a 500-hour lamp for 10¢ to meet the invasion and, by that strategy, were able to recapture much of the trade they had lost.

Now, American makers are once more in a dilemma. Recently Japan has been reaching the retail trade with what are advertised as 1,000-hour lamps. Chain stores are selling the popular sizes at 5¢ or 6¢ each—which means that they must be buying them at less than American makers have to pay in labor per lamp, to say nothing of material, transportation and distribution costs, and fixed overhead. The 50,000-odd independent retailers who depend on lamp sales to supply an important part of their monthly income are wondering whether foreign makers, using the chains as vehicles, are going to drive them out of the field.

King Cotton's Headache

Suffering from price breaks, Japanese imports, tax troubles, and shrunken markets, the cotton textile industry seeks a remedy, gets a cut in operations.

THE cotton people have been taking their troubles to Washington, to NRA, to AAA, to the Tariff Commission, to the President. For the last month the Capital has boiled with activity of cotton textile interests, their representatives in Congress and those of the cotton-growing states.

Their prayers have been heard on 2 counts. Most depressed divisions of the industry will be allowed to cut operations 25% under code standards. Assurance that government loans supporting prices of raw cotton are to be continued has been given by AAA.

Operating at a high rate until a few weeks back, although without profits since last July, mills have recently been closing, workmen have been laid off. Unsatisfactory as prices have been for some time, they have grown worse lately with the break in raw cotton. Mill operators say their customers feel cloth prices should come down in line with future quotations on the staple, although its actual cost to them remains pegged at the 12¢ government loan figure to which must be added the 4.2¢ processing tax.

A new fly in their ointment is the heavy influx of Japanese cotton cloth since the first of the year. Private reports place Japanese imports at 24 million sq.yd. since Jan. 1. The Tariff Commission discounts this figure, places January and February imports at 8.2 million sq.yd. Even so, that exceeds total imports of 7.3 million in the full year 1934. Loosely woven, and containing less cotton than the competing domestic product, the Japanese cloth sells here about 1¢ per sq.yd. less, has thrown the price situation into further demoralization for all its inconsequential volume in relation to the 7 billion sq.yd. annual domestic textile production. Mill operators are told by the Tariff Commission to file a protest with NRA if they think they have a case against Japan's competition.

Cut in Hours

Authorization for curtailment is coming from the National Industrial Recovery Board. It empowered the code authority to permit cuts in labor time from the 40-hour weekly code maximum to as low as 30 hours. Machines in operation may likewise be reduced 25%. Designed to spread available business throughout the industry, NIRB hopes this program will put an end to the "wholesale" shutdowns that have been occurring with increasing frequency in

the last several weeks. A research and planning committee of the code authority will decide how and where curtailments can be made. An appeal board will be set up to hear any complaints coming from mills that feel injured.

The temporary nature of code revisions may avoid labor trouble, although spokesmen for United Textile Workers of America say their members cannot submit to lowered weekly pay, plan to make a test case before the Textile Labor Relations Board of the Calloway Mills (Lagrange, Ga.) situation where a strike is in progress against introduction of the speedup.

Processing Tax Debate

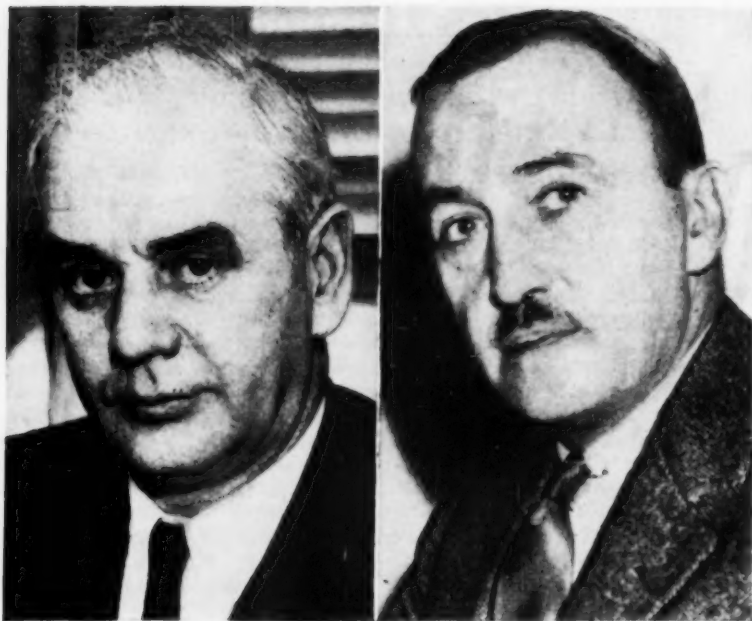
Cotton state senators join the plea of the textile manufacturing interests for elimination of processing taxes. They succeeded in tacking a Senate amendment to the work-relief bill designed to divert \$500 millions of the \$4 billions relief funds into benefit payments and thus remove the necessity for taxes on farm products for this purpose. AAA is emphatically opposed to such a course, still maintains crop curtailment must be self-financing, although it proposes to tax meat to pay grain benefits.

The Southern senators and textile mill representatives join also in requests that a part of custom revenues be used to pay export bounties on both raw cotton and textile products—again without Administration encouragement.

Secretary Wallace has now given assurance that the loans on last year's cotton crop will be extended indefinitely, that new loans will be arranged for the new crop at some suitable figure. Curtailment is to go ahead along the original plans for a 10.5-million bale crop, he reiterates, although the Dosey bill, now through the House with exemption up to 3 bales for small growers, must be killed in the Senate to hold 1935 production to this basis.

The government is included among the distressed in the cotton situation with a total of some 5.8 million bales of cotton under loan or held outright.

AAA authorities still appear confident that the market will ultimately absorb this excess. They emphasize that the break in domestic prices recently has not been met by quotations on foreign growths in markets abroad, hence American cotton is currently selling nearer parity with other staples than at any time in several years. Six months back it demanded the highest premium, with rare exceptions, of the last decade. The



Wide World

Underwood & Underwood

BALANCE OF POWER—After long agitation for equal representation on the National Industrial Recovery Board, labor wins its point with the expansion of the board to include a running mate for Sidney Hillman. Philip Murray (left), vice-president of the United Mine Workers, was selected. Appointed simultaneously, William P. Witherow, founder of the Witherow Steel Co. in Pittsburgh, succeeds S. Clay Williams as one of industry's 2 NIRB representatives.

world has used 1.5 million fewer bales of American cotton in 7 months of the crop year, but current stocks are 2.6 million bales less than a year ago. "Free" cotton—that is, staple not controlled by the government—amounts to less than 8 million bales and 1.3 millions of that is on farms and likely to be pledged with the government. Ordinarily between 5 million and 6 million bales would be used up before ginning of the new crop starts, indicating a close supply situation before Aug. 1.

Talk of tremendous gains in foreign production and irrecoverable loss of export markets is refuted by revised estimates of last year's foreign production, actually less than in the previous year. The Indian crop dropped 600,000 bales, more than offsetting increases in Brazil, China and Russia. Recovery of world buying power, not reduction of American cotton prices, is our answer, according to Secretary Wallace.

Dust Crop

Government moves to offset the drought damage in wheat areas, but the crop margin will be thin.

DUST storms, officially characterized by government authorities as the worst on record, confirm the weather map's story of an unrelieved drought situation in the Great Plains country (BW—Mar9'35).

Washington mobilizes forces to re-

lieve distress in the affected states, plans emergency defenses against the ravages of high winds playing on arid sections. AAA has lifted all restrictions on wheat production in the spring wheat areas, hopes that acreage will be expanded 900,000 to 2.3 million acres, the crop increased 10 million to 30 million bu. to offset damage in the drought-stricken winter belt (BW—Mar23'35).

Revised Crop Predictions

"Crop killers," crop condition scouts of the grain commission firms, so called because of their alleged predilection for unfavorable reports on conditions, are not furnishing the bad news this year. While public attention is centered on the drought sections they are calling attention to the favorable crop situation elsewhere, have not seen fit to revise their predictions of winter wheat yields which ran just under 500 million bu. First official word on the crop will come April 10 with the Crop Reporting Board's April forecasts.

One private report puts conditions "good to fine" on 14 million out of 26 million acres of winter wheat in the Southwest. Kansas has 7 million acres outside of the 6 million in the drought area. About 2 million of Nebraska's 3.5 million acres are in good condition. Oklahoma has 2.5 million acres of promising crop out of 4.5 millions seeded; Texas reports 2.75 millions in good shape out of 4.25 millions that have been seeded.

Farmers of the spring wheat area in-

dedicated intentions to seed 17.8 million acres before AAA's announcement removing restrictions. Their response to the suggestion depends upon prospects for the crop, and conditions vary widely in the area which includes much of the Dakotas, Minnesota, Montana, Idaho and Washington. Should acreage be upped the full 2.3 million allowed by AAA to 20 millions and last year's yields of a bare 10 bu. per acre be realized, it would mean 200 million bu. of spring wheat. A total spring and winter crop of 700 million bu. would exceed domestic requirements and seed needs by a scant margin. An unfavorable outcome for both crops could put the country on an import basis since only 100 to 150 million bu. of old crop will be carried over.

Merger Defense

Republic awaits decision on plea that union with Corrigan would increase competition in steel.

THE fate of the Republic Steel Corp.'s plan to merge with Corrigan, McKinney Steel Co. of Cleveland and the Truscon Steel Co. of Youngstown and Cleveland will probably be known around May 1. Federal Judge Fred Raymond, sitting at Cleveland by appointment, is expected then to announce his decision whether or not the merger would lessen competition in the industry, as the Department of Justice asserts it would (BW—Feb16'35).

Donald B. Gillies, president of Corrigan, McKinney, independent producer of ingots, answered the charge by testifying that his concern needed the markets for its semi-finished steel which Republic would furnish, and that this consolidation, if permitted, would in reality intensify the competition in the industry. It would, he and others said, place both Republic and Corrigan in a stronger position to compete with United States Steel, Youngstown Sheet & Tube, National Steel, and American Rolling Mill companies. Pig iron prices would not go up following such a merger, Gillies said, as there is already a surplus of pig iron.

Steel executives appearing in the suit testified that a merger was capable of reducing prices to the consumer by bringing about economies in operations. Members of a parade of 14 purchasing agents said that any desire of the consolidated company to put prices up would have little to do with its ability to do so, inasmuch as price-fixing would not be within its power. The government's counsel sought to show from its own customer witnesses and in cross-examination that the merger would "substantially lessen" competition in the steel industry of northern Ohio.

7.8 million
acement re-
response to
n prospects
vary widely
much of the
ana, Idaho
acreage be
allowed by
last year's
er acre be
million bu-
spring and
u. would
s and seed
n unfavor-
could put
basis since
of old crop

on plea
an would
steel.

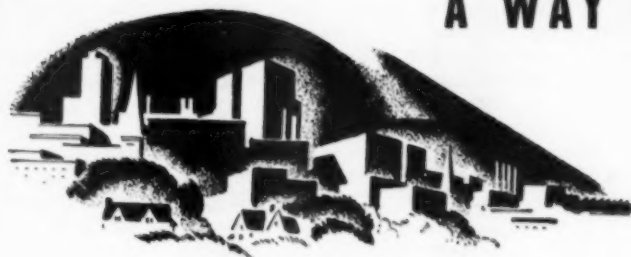
cel Corp.'s
McKinney
e Truscon
Cleveland
nd May 1,
sitting at
expected
n whether
ssen com-
the De-
it would

of Corn-
producer
e by testi-
the mar-
eel which
that this
would in
on in the
hers said
rrigan in
ete with
wn Sheet
American
on prices
g such a
is already

n the suit
apable of
umer by
operations
urchasing
the con-
prices up
ts ability
ng would
govern-
from is
in cross-
r would
on in the
o.

S WEEK

A CITY THAT is looking for A WAY OUT



IT is a beautiful city, an ambitious city, but it is pathetically debt-ridden. Municipal properties are wearing out because it costs so much to keep them up. The municipal street cars are pounding the streets to pieces. And the cars, built twenty years ago, cannot maintain a schedule that will attract profitable traffic.

The Department of Public Service is cutting down because garbage, cleaning, and maintenance trucks are so expensive to operate.

There is a traffic bottleneck at the Main Street bridge, and the debt-service on a new bridge would be the proverbial straw.

Most of the citizens have forgotten what well-painted, well-protected municipal structures look like.

The city we have in mind is looking for an answer to these problems — an answer so fundamental that it will ease the tax-burden.

Cut to the heart of each of these problems and you find a clear need for light weight, combined with strength, and for exceptional resistance to corrosion. Those are exactly the fundamental characteristics of Aluminum.

Lighter street cars mean lower costs and greater speeds; lighter motor trucks mean lower costs; lighter bridge floors mean added traffic with equal or greater safety. Aluminum structures wear longer, and surfaces painted with Aluminum paint are better protected because this metal resists weather and corrosion.

For almost fifty years, we of Aluminum Company of America, with homes in many cities, have been working to reduce the price of Aluminum, to increase its strength and usefulness, and to make it available for just such fundamental services to all the cities of America. For our country can go forward only as our cities advance. ALUMINUM COMPANY OF AMERICA, PITTSBURGH.

forward via fundamentals

Bankers' Bargain

A.B.A. would trade centralized control over \$40 billions of banking resources for removal of government members from Federal Reserve Board.

WEEKS of perfunctory hearings on the Administration's legislative program to remake the banking system have been a curtain-raiser for the main bout about to get under way before Carter Glass' subcommittee of the Senate Banking and Currency Committee. Banking and business leaders will be disappointed if the doughty Virginian does not put the bill under more critical scrutiny than the House committee, which did little more than provide a sounding board for the ideas of Governor Eccles of the Federal Reserve Board (and presumably of the Administration) on how the system should operate.

First broadside from opponents of the Administration bill has been fired by the American Bankers Association in a series of counter-proposals. More opposition is looked for now that the matter is through the preliminaries. Conservative financial interests expect the Association of Reserve City Bankers to go further than A.B.A. has done in its criticism. Several of the large business and industrial organizations are formulating recommendations to be submitted to the committee. Senator Glass has indicated that the Federal Reserve Bank governors will be given a chance to air their views about having their responsibilities increased but their independence destroyed, as would happen under the proposed measure.

What Assets Will Back Currency

The American Bankers Association is willing to have the Federal Reserve System remade if the Federal Reserve Board is also remade. Its attitude is that, if given greater power, the board must be made more independent of politics. In effect, it approves provisions further centralizing control in the board and increasing dominance of the system over commercial banking. No objections are made to removal of statutory definitions on eligibility of paper for rediscount and to lodging with the board power to choose what bank assets the Federal Reserve Banks will accept and place behind the currency—most startling innovation in the Administration's bill (*BW*—Feb 9 '35). Nor is there any opposition to the new powers over credit policies of member banks through substitution of variable reserve requirements for those prescribed in the present statutes.

These concessions are proffered, however, in consideration of the government's relinquishing its right to 2 direct representatives on the board by way of

ex-officio memberships for the Secretary of Treasury and Comptroller of Currency. A.B.A. would also have one appointive member eliminated, reducing the board from 8 to 5.

Thus the bank association is getting at a point of long-standing controversy over the makeup of banking's supreme authority. For 15 years banks have complained that the prestige of the Secretary of Treasury, plus his 2 votes on the board, have made the Federal Reserve System the tool of the Treasury's financial program, irrespective of the effect upon credit conditions and business generally.

Three Control Methods

In addition, A.B.A. wants the proposed 5-man open market committee increased to 9 members, including the full board and 4 governors of Federal Reserve Banks, instead of the suggested 2 governors and 3 board members. This committee would have jurisdiction over discount rates and reserve requirements as well as open market policies, the 3 methods through which major credit controls would be effected.

On other phases of the bill, A.B.A. is ready to go along with the Administration—and proponents of a strong independent banking system consider its schedule of amendments a weak protest against further encroachment of federal dominance over banking, note that Washington is making the bankers ap-

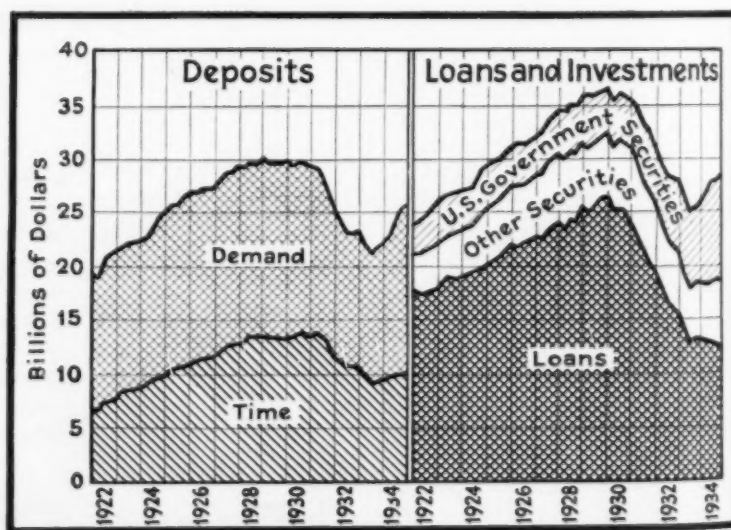
pear to give practically blanket approval of the bill.

At issue is almost absolute control of \$40 billions of the \$46-billion total of the country's banking resources. The Administration has been impatient about the backwardness of bankers in putting these funds to work toward recovery, evidently thinks they can be spurred on by liberalizing Federal Reserve policies. Fuel for its impatience was the showing of member banks during 1934, when only \$2.9 billions of the \$6.7 billions of increased deposits were put to work in loans and investments. The rest has been piling up in excess reserves (now standing at \$2.2 billions) reposing in correspondent bank balances or in cash vaults.

Loans Lowest in 17 Years

Only expansion in bank portfolios last year was in additional purchases of government bonds and guaranteed bonds of government agencies. Member banks of the system hold \$10 billions of these, a record figure well over twice wartime investments in government securities. Bank loans were off \$800 millions during the year and currently are at the lowest point since 1918. Investments in securities other than those of the government were up only \$200 millions.

While total deposits recovered to within \$5 billions of their 1930 peak, the banks have \$8 billions less employed in loans and investments than at that time. Part of the Administration's program is to encourage the investment of the idle balance, holding out the promise that the Federal Reserve Banks, through looser discount policies, would provide the liquidity the banks have previously attained by watching the type and character of their investments. Should the banks go too far along this



BACKWARD BANKING—Funds are piling up in bank deposits faster than they can be employed. Even the swollen portfolio of government securities fails to match gains in deposits of Reserve member banks. Loans continue downward trend.

PROFITS WILL BE SWEETER



DEAR BOSS:

Hear your researchers have discovered traces of vitamins "N"- "R"- "A" in our "Goldfoam," the world's finest canned omelette. The boys in the plant are on tiptoe waiting for the applause of the public and the increase in profits and salaries that will immediately follow.

Your chemists overlooked just one little thing -- the fact that the same can holds 12 ounces - (3/4 lbs.) of high grade Virginia bituminous coal. That's news to you I suppose although I've been reporting the fact in one form or another for the last six months.

Any time you feel like O.K'ing that requisition for Republic flow meters on our boilers I'll make it 11 ounces per can (7 per cent less). "Goldfoam" will taste just the same as ever, but the profits will be sweeter.

We'll be saving around 700 tons of coal - \$2,200 at present prices. And this - believe it or not - will wipe out the investment in 7 months and then yield a clear return of 183 per cent on the meter investment.

Sincerely,

Bill Cutter

Chief Engineer.

MR. EXECUTIVE: Your fuel bill may be greater or less than that mentioned above, but in any event a saving is worth while. Just what meter equipment you would be justified in installing would be evident after a survey our engineers will be glad to make. They will work in co-operation with your engineer and submit a report showing what metering equipment will be practical from a savings standpoint. We are glad to render this service without obligation. Write us, suggesting a suitable time for one of our engineers to call.

REPUBLIC FLOW METERS CO.

2238 DIVERSEY PARKWAY, CHICAGO, ILLINOIS

path and over-expand, the Federal Reserve Board proposes to reverse the process by using its new powers to raise the amount of reserves to be deposited with the Reserve Banks, thus forcing the banks to contract their outstanding credit. Conservative interests naturally wonder when any politically dominated Reserve Board would be willing to force curtailment of credit.

Toy Show

American Toy Fair recapitulates last year's progress and indicates this year's recovery trends.

THE American Toy Fair held in New York (April 1 to 20 this year) is the point at which manufacturers and retailers recapitulate the past 12 months and set a course for the next. The view in both directions is encouraging. Estimates by the Toy Manufacturers of the U.S.A. put January sales in New York at 12.6% above 1933, and 1934 sales for the entire country at 15% above 1933. Retail volume was \$150 millions. Advance registrations at this year's fair increased, number 400 displays. Buyers' registrations are up 20%, indicating increased interest in 1935 offerings.

Acceptance of certain trends during the past season insures their continuance. Streamlining has caught on, reaches all the way down to scooters and kiddie-cars. Electric propulsion, both by battery and plug lines, is on the increase. The invasion by famous characters in the comic strips (Pop Eye *et al.*) has gone deep into the industry. Mickey Mouse business is unabated. Rubber dolls appear to falter as tastes swing back to the older forms. The Dionne quintuplets have been honored by companies offering sets of 5 dolls.

Code Protection Helps

More creative effort is apparent in toy design than for any year since 1929. One reason for this is that the toy and playthings code offers design protection, gives the initiator some assurance that his idea will not be pirated. Originals are filed with the Industrial Design Registration Bureau. Some 50 cases of alleged piracy were amicably settled during the past year.

The 1935 Toy Fair marks 20 years of development by the American industry since the World War cut off German imports. Anti-Nazi feeling (among Jewish buyers especially) is thought to be one reason for increased queries from stores in foreign countries. American makers claim to have produced playthings suited to our small customers; especially is this apparent in catering to the national bent toward mechanics. The industry is definitely promoting playthings as a part of child education, hoping to create a 12-month demand;



MORE MORTGAGE MONEY—Pleased with their House victory on the bill to enlarge Home Owners' Loan Corp.'s lending power and to extend mortgage insurance to cover \$50,000 apartment loans, Chairman John H. Fahey of Federal Home Loan Bank Board, General Manager Preston Delano of HOLC, and Housing Administrator James A. Moffett (left to right) plead their case at Senate hearings.

Greater leisure promised by the New Deal has also led to more determined selling of adult games.

Toy Fair registrations dramatize the geographical sweep of the industry.

There are displays from nearly every state. Some 585 manufacturers report to the code authority, but directories show the total of producing companies to be nearer 2,000.

Michigan's "Insecurity" Law

Wolverine State's old-age pension troubles provide nice case study on cost of haste in social security planning.

WHILE Congress fiddles with social security legislation, undecided what to do about President Roosevelt's proposed program, Michigan has had its first taste of old-age pensions. The present situation, unforeseen when a Democratic legislature hastily and prematurely enacted a pension law in 1933, has its comic opera aspects. Revenue with which to pay pensions of \$12-\$30 a month to dependents past 70 years was to come from a head tax of \$2 per person on almost 3 million Michiganders. Today over 2.7 millions are technically subject to arrest because they haven't paid and no public official is moving to force collection. Collections to Jan. 1 were \$365,618 and disbursements \$382,664. Of the latter amount, only \$103,093 was paid as pensions. Registration of applicants cost \$164,195. Personal service (fees to enumerators, salaries to investigators for county boards, expenses of state office) totaled \$175,705. Less than 10% of the applicants have been granted pensions; nothing is being paid in 27 counties.

Yet few people in Michigan are inclined to condemn old-age pensions in

wholesale fashion because of the present mess. Republican Governor Fitzgerald is pledged to the pension idea, is expected to push through the Republican legislature shortly a new measure by which old-age pensions will be supported from the state's general fund rather than from a head tax. It is anticipated that \$3 millions to \$4 millions a year will suffice, and administrative expense shouldn't run over 10%, possibly may not exceed 5%.

Jobs, If Not Pensions

Present troubles seem to have grown out of the ill-advised plan of raising funds by means of a head tax. The state started to make a house-to-house registration of all people who must pay the tax. This meant employment of many persons heretofore unemployed (during an election year—1934). Administration was decentralized through county boards, adding to the clumsiness of proceedings. Disagreements occurred between state and local officials. The boards were swamped with applications for pensions, with an investigation necessary in each case. When the first pension payments were to be made in

Wayne County last summer, checks were not mailed out as a routine business matter, but recipients, instead, were asked to assemble at the State Fair Grounds in Detroit and checks were handed them by Governor Comstock, who uttered honeyed words, suffered open condemnation for playing politics.

One factor which may complicate the workings of the act is that a large proportion (estimated as high as 75%) of the pensioners require hospitalization and their small pensions do not prevent them from becoming public wards in hospitals or other institutions. This, say disbelievers in old-age pensions, puts the pension law in the position of saddling more costs on taxpayers without relieving them from any previous expenses connected with the aged.

Michigan manufacturers and business men are not opposing the old-age pension law so long as it derives its revenue from a head tax or from the general fund. There is likely to be a different story, however, if it should become necessary to find new sources of revenue further taxing industry. Then opposition promises to become vocal.

Steel-Shell House

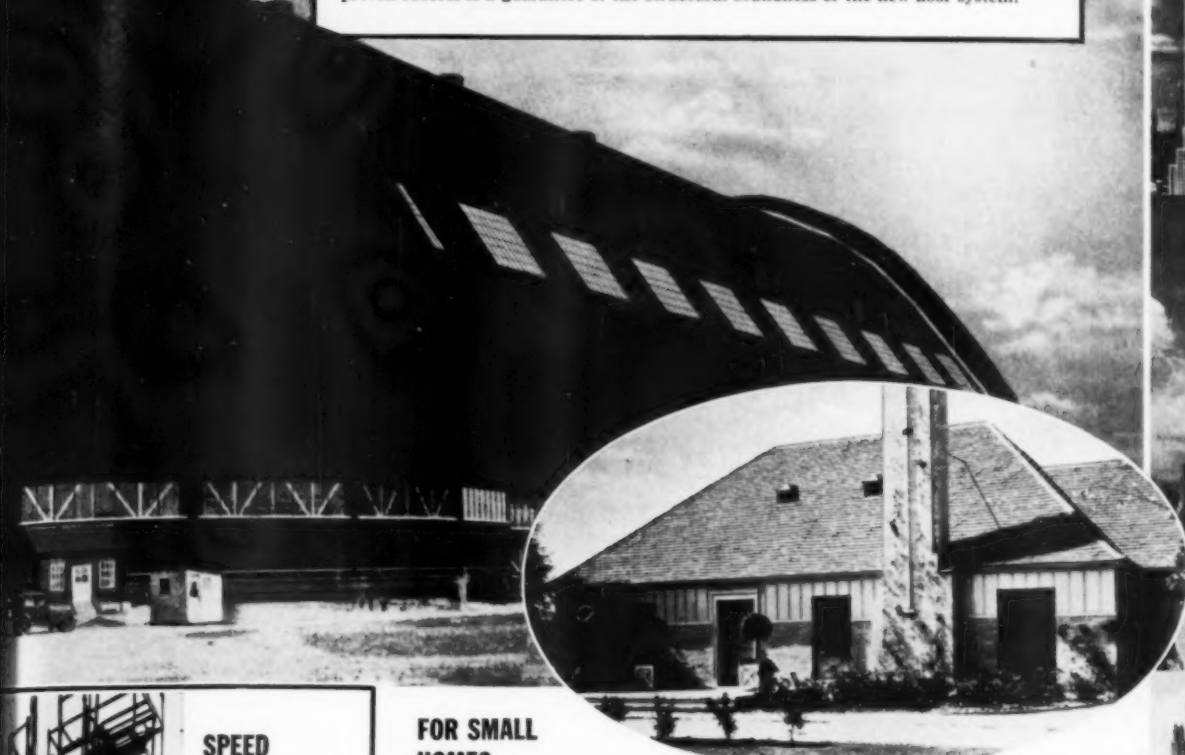
National Houses markets complete structures through local agents.

NATIONAL HOUSES, INC., New York, joins the growing list of companies marketing pre-fabricated homes. (It is no kin to Houses, Inc., described in *Business Week* of Dec. 15, 1934.) First experimental house was erected in Kansas City. Others embodying lessons learned there are planned for demonstrators in 50 more large cities.

The structural idea is based on steel beams, roof, and wall panels, with door and window frames welded in. Any plan may be used as long as it employs the standardized units. Smallest panels are 2 ft. wide. Principal saving is in the shell of the house. Cost is said to be 20% under brick or stone, about the same as a wooden structure. Insulation is vermiculite (a species of mica) or rock wool. Structures are claimed to be not only fireproof, but termite-proof and wind-proof.

The houses will be sold complete through local agents. National Houses will act as wholesaler gathering materials from different sources. Cheapest house is about \$4,000. The owner of a lot can build with no down payment. The price of the lot will represent his equity. Financing will be through federal savings and loan associations or mortgage institutions employing the FHA guarantee. William VanAllen, who designed New York's Chrysler Building, is the company's architect and a member of its board of directors.

BIRTHPLACE WHEN THE HUGE Akron Airship Dock was designed it was necessary to find a material for roofs and sides that would withstand almost incredible wind pressures without requiring too heavy an understructure. Robertson Protected Metal was chosen because of its world wide fame for strength and weather resistance . . . a special V-Beam shape was designed to stand the unusual strains, and it was during this development that the revolutionary new type of floor system was conceived. Thus this huge hangar literally became the birthplace of the new Robertson Steel Floor System. For 30 years Robertson Protected Metal has been used by the largest industries in this country and abroad . . . and its proven success is a guarantee of the structural soundness of the new floor system.



SPEED

BY THE USE of Robertson Steel Floors, speed of erection can usually be increased from 25% to 30% due to time saved on concrete pouring, wood plank laying, form building, and contractors' schedules.

FLEXIBILITY

NOTE INSET OF section of Robertson Steel Floor. The floor is composed of keystone-shaped beams, through which the electric services are directly led, thus eliminating need for under-floor duct systems. This floor permits an electrical outlet every three to six inches!

SAFETY

WORKMEN work far more safely on buildings where Robertson Steel Floor is used. No slipping through loose planks to fall many feet. Greatly reduced accident hazard from falling materials, tools, etc.

FOR SMALL HOMES

THIS NEW SYSTEM of floor construction is not limited in its use to large buildings only. Far from it. It is ideally suited for use in any kind of home. It offers definite advantages in the home . . . stronger floors, fire safety, better appearance in basement, enclosure for wiring and even piping, and numerous other structural refinements.

struction is almost certain to save money in the initial expenditure . . . it will save in construction time. It will provide a stronger and more adaptable floor system. And the finished building will be insured against electrical obsolescence as long as it stands. And if it is a tenant type of building, it will retain its maximum earning power for a much longer period.

Therefore every executive interested in present or future building projects or in bringing down high building costs, should send for a copy of an interesting brochure which shows graphically the remarkable adaptability of the Robertson Steel Floor System to large building or small . . . to hotel, factory, or home. A request on your business letterhead will bring it to you promptly and without obligation. Ask your secretary to write for it.

Note to Architects, Engineers and Builders

To you this new floor system is of paramount importance. Its cost savings are manifest throughout the entire structural design . . . it enables you to reduce wasted dead loss and excessive bulk in construction and allows you to plan complete electrical provision for the entire life of the building.

There is little doubt that this type of floor construction will quickly supersede all less efficient and more costly types . . . hence it may well be given important consideration now in your plan department. A special architectural bulletin is available, giving complete technical details. We will gladly send it to you upon request.



FIRE SAFETY FAMOUS Rockefeller Church, Riverside Drive, New York, which suffered a three million dollar fire loss when nearing completion, due to conflagration of scaffolding, temporary floor planking, wooden frames for concrete. This hazard is minimized by the new Robertson System of floor construction.

MILLIONS COULD HAVE BEEN SAVED

IF THE ROBERTSON Steel Floor System had been available when such buildings as these were built, millions of dollars in construction costs could have been saved. The savings effected by this new floor system in a single large office building might easily run into hundreds of thousands of dollars. Besides the money saving in construction, these buildings would have been 100% electrically flexible (few buildings today are even 30%) and therefore would enjoy a far longer profitable life.

HH ROBERTSON CO
World wide building service
GRANT BUILDING PITTSBURGH, PA.



In the Rainbow Room, Rockefeller Center.
Photographed by Richie.

"But I don't see how you do such a volume of business on such a small inventory."

"Simple enough. We've found that our shipments parallel the Business Week Index, with a lag of three weeks — so we just adjust our inventory to that."

Motor Industry Shifts Pay Plan

Deciding that profits of group piecework and bonus systems cost too much in labor relations, car makers have been changing to straight day rates.

No respecter of time-honored policies, the automobile industry has never hesitated to discard the old for the new. This has been true of machinery, factory processes, and sales methods. A time-honored tradition which lately "felt the ax" was the group piecework and group bonus plan of paying workers. In its place has been substituted the straight hourly rate. Other industries with similar problems have been studying reasons, watching results.

Most car manufacturers (except Ford, who has religiously stuck to the day rate through the years) have had some form of payment based on the work done by a group of employees in a department. That is, payment of wages has been calculated on the number of assembled engines or bodies turned out. Each worker, of course, has had a base rate generally differing from his fellow worker's according to variance in skill and experience.

Other Systems Fail

This system came under the fire of organized labor because (1) the worker had no idea of what his earnings would be and thus couldn't figure on a regular budget, (2) men felt that they possibly weren't getting their just earnings, largely because the system was so complicated that they couldn't understand it, (3) often men weren't able to earn their rates because of material shortages and machine breakdowns, especially at the beginning of new model runs (a situation for which management and not labor was to blame), (4) it pitted one man against another and created friction inside groups, the fast men on the job being penalized by the slower ones.

The group payment system also had its merits. It enabled workers to get more money in their pay envelopes as a result of increased efficiency. It permitted management to relax a "watch-dog" vigilance and to maintain less supervision in the shop. If the worker loafed on the job, he was the sufferer. It acted as a pace setter.

Day Rate Best

But with all its good features, car manufacturers and some parts makers have been dropping it in favor of straight day rate, largely because of the hostility of workers who would rather have a stated sum daily even if they earned less in the long run. Such action has tended to eliminate a major source of friction between management and labor. In some cases the change-over

occurred voluntarily on the part of the company; in others, car manufacturers polled their employees, switched over after a majority had asked for the day rate.

Substitution of the day rate hasn't been so simple as it might sound. While it can be put into effect almost overnight when desired, readjustments in connection with it are far-reaching. In maintaining efficiency of the individual worker without resorting to "incentives," management must hold the reins tighter and the foreman, in turn, has increased responsibility in keeping plant production at the same level as formerly.

Since idle time costs the company money, foremen are more alert to provide work continuously for men during operating hours, to see that the flow of materials does not stop and that "down time" of machines is minimized. They are keener than before to find out the abilities of the men under them. They are encouraged to rotate men on jobs, thereby developing a greater number of all-around workmen; the men also are more willing to be transferred from one job to another since their rates do not

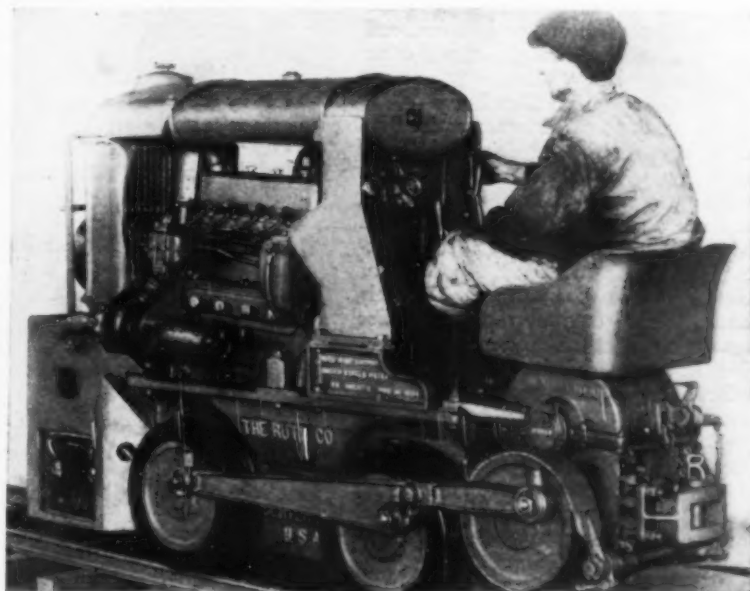
change and they do not now have the feeling that perhaps they aren't being paid as much on the new job, particularly during the initial period when they are the least productive.

Elimination of so-called incentive systems doesn't mean that all incentives for the automobile worker have been abolished. The worker knows that better jobs lie ahead for the man with unusual ability, that production executives from the foreman on up are generally picked from the ranks. There are other stimuli. The Automobile Labor Board has made seniority rulings to govern layoffs and rehiring of workers. At the top of the list, superseding all other classes, is the group of workers "essential to plant operations." This group is laid off last and rehired first; many of the men will go through the year without a break in employment. To be put in this group is an incentive to men to do their best work.

Costs No More

Costs under the day rate system are about the same as under the group bonus. Where a little is saved here, it is paid out there, particularly for increased supervision. Commenting on the growing trend toward the day rate, a prominent automotive executive said:

"We have mechanized production, making it more efficient and less costly and hence have been able to reduce our retail prices and widen our markets. We attempted to mechanize supervision in our shops. The group bonus system was part of the program. The shop



MINE DIESEL—Although extensively manufactured and used abroad—particularly in Germany and England—this diesel locomotive, developed by the Ruth Company of Denver, is reported to be the first produced in this country for underground mining operations. According to its manufacturers, it boasts 40 hp., 5 speeds in either direction ranging up to 12 m.p.h., a 2,000 lb. drawbar pull, and an exhaust gas analysis showing no CO. A smaller model is also being developed.

Business Week

pretty much ran itself, and that was one of the reasons why the management and the man at the machine drifted so far apart. The shift to the day rate is just one phase of the program to put these relationships back in the proper balance.

We are putting full control of production back into management's hands and out of control of groups operating on a bonus plan. All of us—management and workers together—will be better satisfied."

Dr. Smith's Chicks Come Home

Supreme Court decision upholding Cleveland incubator inventor's patent after 14 years hatches a collection job.

BILLIONS of baby chicks have hatched, grown to springers and died for the American table since Dr. Samuel B. Smith of Cleveland began bringing suits against infringers on his incubator patent. That was 14 years ago. Collection season started this year when Dr. Smith and the Smith Incubator Co. recently obtained from the United States Supreme Court a decision upholding their claim to the patent which covers a method of hatching chickens in an incubator that circulates the air.

In the next three months, the hatching season, perhaps 500 million chicks will hatch in incubators using or infringing the Smith patent, and the legal task of the Smith Incubator Co. is now to collect royalties of from 1¢ to 3¢ on every chick which has not paid the toll. Though theoretical estimates of the collectible amount run to figures resembling Dr. Townsend's, the practicalities are different. Referees in lower courts have set these royalties in a number of cases, not in others; bonds have been posted in some of the cases, other companies have gone out of business, and suits are yet to be brought in still other instances.

Continuous Hatchery

The Smith incubator arranges the eggs at different levels and drives a current of warm air past them with a fan. All other incubators from the ancient Chinese and Egyptians apparently had relied on convection, and their operators had had to change the position of the eggs from time to time. Not only did Dr. Smith do away with all that but his arrangement of eggs in 7 stages of incubation enabled the operator to take off a crop of chicks every 3 days. The incubator became a continuous mill.

Dr. Smith's company builds incubators from 20,000-egg capacity up to 65,000 at one "setting." The doctor, who started out as a country physician, built his own hatchery at his old home in Attica to a capacity of 1 million eggs a filling—at that time, about 1922, largest in existence. The region around Attica and New Washington for a number of years was the center of the American day-old chick industry. Ohio still leads the states in the capacity of its chick hatcheries, but Iowa and Missouri

are close and California is rapidly overtaking the others.

Since 1922, when Dr. Smith formed his company in Cleveland, he has sold \$24 millions of machines with an egg capacity of 188 millions at one filling. Clinton, Mo., has 57 of the Smith machines in the hands of operators, who produce between 8 million and 9 million chicks a year, a crop worth \$800,000 at present prices. Half the Clinton population is employed in the industry. Since 1917 chicks have traveled by parcel post as well as express, sharing that distinction with the queen bee. They are shipped as soon as their feathers are dry and will travel 72 hours without food other than what remains of the egg yolk within them. Most of them go in standard 100-chick cartons and 95% arrive safely. Nearly 2,000 dealers with a total hatching capacity of 287,000,000 chicks annually applied for compliance certificates from the National Commercial & Breeder Hatchery Coordinating Committee, the code authority.

The battle of Dr. Smith and the infringers began as soon as neighbors heard of his success. In nearly all the cases, the infringing companies had attempted by differing arrangements of eggs on the trays to circumvent the doctor's claim to an exclusive patent. Dr. Smith's basic patent was obtained in 1895 and expires in April this year so his collection season will be a short one. The company has a number of other patents. In the 14 years of legal work it started 528 injunction suits.

No Diet Advice

Industry seeks check on Department of Agriculture "propaganda."

To the food industry, some of the publications which have been issuing from various bureaus of the Department of Agriculture have been anything but a source of solace these past 2 years. AAA's *Consumer's Guide* with its blunt dietary recommendations, its suggestions for economical buying, its check on prices, its arguments in behalf of home canning has trod on many toes.

Lately, millers—particularly one H. T.



TOUCH CONTROL—Royal adds a new gadget to merchandising—a touchmeter which registers customer's finger pressure, enables the dealer to make a "personal adjustment" in the key tension to help swing the sale.

Corson of the National Food Bureau—have been agitated by an inference which they have drawn from the scholarly statistics of a Bureau of Home Economics pamphlet suggesting diets for various income levels. For a "restricted" diet the study indicates 240 lb. of flour per capita, per year; in higher diet levels this recommended amount is diminished until in the "liberal" diet it stands at 100 lb. Recommended amounts of all other foods (except beans) are steadily increased.

All of which serves to explain the rider attached to the Agriculture appropriation bill which provides that no part of the funds shall be used to pay any employee who issues any statement "which advocates reduced consumption of, or which asserts that it is harmful or undesirable to use, any wholesome agricultural food commodity or any manufacture thereof."

Already passed by the House, this provision is being fought bitterly in the Senate by consumers. "May not a scientist in the pay of the government be allowed to say that people in a pellagria-ridden section of the South should eat less salt pork and corn pone and more milk and fresh vegetables?" they ask. They point out that if the people of the country were to follow the recommendations of the Bureau of Home Economics' diets the consumption of flour and cereals would be increased—not decreased—by 2½ billion lb. annually.

Following the testimony of Secretary Wallace at Senate committee hearings Monday, its eventual deletion was indicated.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE new Pyrene pressure-type fire extinguisher requires no hand pumping, operates by compressed air carried in an inner chamber, delivers a fan-shaped or solid stream, as wanted, weighs 16½ lb. when fully charged. Makers recommend it especially for use on inflammable liquids and electrical fires.

FLOORKOTA, a new duPont product, is applied to hardwood floors with a long-handled spreader instead of a paintbrush, is advertised as giving a clear, tough, and inexpensive finish.

THE Flex-Tip valve, made by the Flex-Tip Valve Sales Co. for attachment to rubber hose used for oil, gasoline, water, and other liquids, will open automatically as the hose is flexed, closes itself when the hose is straightened.

To resist stains ordinarily caused by the oxidizing of copper screens, iron screws, and metal fittings used on screens or shutters, Felton, Sibley & Co. has developed a new "stainless" paint, applied with a special primer.

RAGS, leather trimmings, mattress lint, and similar low-value waste products can be flocked or defiberized by a new patented grinding machine marketed by Sprout, Waldron & Co. for use as a substitute for cotton or linen lint.

THE "Shrink Proof" method of building wood frame houses, devised by the Frank R. Walker Co., employs specially designed joist supports and partition "shoes" to permit seasoning or shrinking of the wood without changing levels or distances.

THE Dudley Lock Co. offers a new standard-size cylinder lock, with 4 sets of hardened steel tumblers and armor-plate-covered lockcase. The maker claims that it is proof against picking, that cylinders cannot be twisted or wrenched loose, that the special 4-edged keys are copyproof.

THE Harnischfeger Corp. has announced the "Bantam-Weight," a new fully revolving ¾-yd., high-speed excavator, convertible for shovel, dragline, crane, hoe, skimmer, or pile driver services. It is powered by a Ford V-8 truck motor to simplify maintenance.

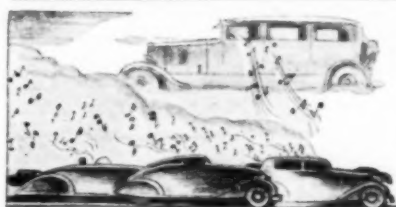
THE Forsberg Mfg. Co. claims that its new No. F-33 keyhole saw, with pistol grip and thumb rest, cuts hard materials in tight places where blunt ends of regular hack saw frames cannot get in.

#2

this trip has been very discouraging but I have several prospects which I think will materialize on my next trip. I find that the dealers are pushing our competitor's line in preference to ours.

*Yours truly
Robert Adams
Territory #3*

P.S. Our competitor is using WLW



From a dubious experiment to an established industry

It is a far cry from the clear, faithful reproduction of today's modern automobile radio to the noisy, distorted reception of its predecessor of a few years ago.

What was at first a dubious experiment has quickly become an established industry — largely through the development by Mallory engineers of Mallory-Elkonode, a self-rectifying vibrator that made possible the all-electric automobile set and brought real radio enjoyment to thousands of motorists.

P. R. MALLORY & CO., Inc.
INDIANAPOLIS INDIANA
Cable Address Palmallo



in RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELD
© P. R. M. Co.

How to Make Letters Work

New second edition, fully revised, of Lawrence C. Lockley's well-known book.

Principles of Effective Letter Writing

440 pages, 6 x 9, \$3.00

Now thoroughly revised and enlarged with up-to-date material and new illustrative letters, this book gives you:

- definite and specific suggestions on sales letters, collection letters, credit letters, adjustment letters, application letters.
- practical suggestions that have been proved profitable in prosperity and depression.
- nearly three hundred illustrative letters, from successful firms all over the country.
- analysis telling why each letter was successful and how to apply the conclusions to your own letters.

This is one of the few books on letter writing that gets down to cases, and gives real facts rather than academic suppositions. Covers problems of the general dictator, correspondent, correspondence supervisor, credit man, etc. Section on sales letters comprises a complete, concise manual of direct mail. See it on approval. Send this coupon.



McGraw-Hill Book Co., Inc.,
330 W. 42d St., N. Y. C.
Send me Lockley—Principles of Effective Letter Writing for 10 days' examination subject to approval or return. In 10 days I will send \$3.00 plus few cents for postage and delivery, or return book postpaid. (We pay postage on orders accompanied by remittance.)

Name
Address
City and State
Position
Company
DW 3-50-35

Ringless Hosiery in the Ring

While women weigh new line of hosiery, courts will decide patent battle involved.

ANNOUNCEMENT by important hosiery manufacturers that they will introduce early in April a line of ringless and seamless silk hose again focuses attention on the battle over the validity of the "ringless" hose patent that got under way almost before the ink of the patent commissioner's signature had time to dry.

Every hosiery man is familiar with the problem raised by the fact that irregularity in the texture and color of silk thread frequently causes "rings," spots or blotches in finished stockings, piling up "rejects" and "seconds." The better the grade, the higher has been the percentage of rejects; sometimes only 50% of output passes inspection.

The procedure covered by the "ringless" patent issued to C. A. Kaufman, Aug. 7, 1934 (No. 1,969,307) is intended to eliminate those costly rejects by providing for the use of "at least 3 separate yarns" in knitting, which means that a faulty stretch of thread appears only every third course and its damaging effect is practically neutralized by the other 2 threads.

Issuance of the patent caused 2 widely differing reactions in the industry. One wing envisioned not merely a more profitable basis of operation due to the drastic reduction of losses on rejects, but also the possibility of using the patent to lift the industry out of the mire of overproduction and cut-price competition and put it on firm ground.

Other manufacturers who also immediately realized the advantages of the "ringless" patent were perfectly willing to cash in on it in their own plants, but saw no reason why so simple and broad an idea should draw any toll in the way of license fees or royalties.

Licensing Plan Revised

When control of the patent was given to the Textile Patents Corp. and a plan for licensing was announced, the first group thought that improvement in industry conditions was in sight. Most of its members considered a royalty charge of 10¢ per dozen fair enough and felt that the price-fixing provisions of the licensing agreement might well serve as the backbone for the whole hosiery price structure. Later, when some prospective licensees objected to the price provisions on the ground that they involved special privileges to the original 6 mills (*BW*—Jan 26 '35), known as the backers of Textile Patents Corp., a new basis was announced which provided that if a licensee of the original group cuts below the minimum price, price-fixing conditions of all licensees are cancelled.

Having met these objections to the plan, the patent holding company has succeeded in convincing most of the important concerns in the field that its patent is valid. Last week it published a list of 70 licensees that reads like the roster of Four-A hosiery manufacturers and represents over 60% of all production capacity.

Opponents Bring Suit

Undisturbed by this overwhelming sign of confidence, the opposing faction is putting up a stiff fight to upset the apple cart for the patentee. Acting as its spearhead, the Rosedale Knitting Co. of Rosedale, Pa., filed suit last week in the U. S. District Court at Philadelphia, charging the Textile Patents Corp., 11 prominent hosiery manufacturers, and 4 individuals with operating a pool in violation of the Sherman Anti-Trust Law.

In an answer to infringement proceedings brought against it by the T.P.C., this company contended that the patent was invalid and had been obtained by deceit, added that the idea was known in Great Britain as early as 1845, in America in 1870, in Germany in 1878, and was of no utility anyway. The patentee quotes satisfied users in answering the last point. To the claims of prior knowledge it replies that the

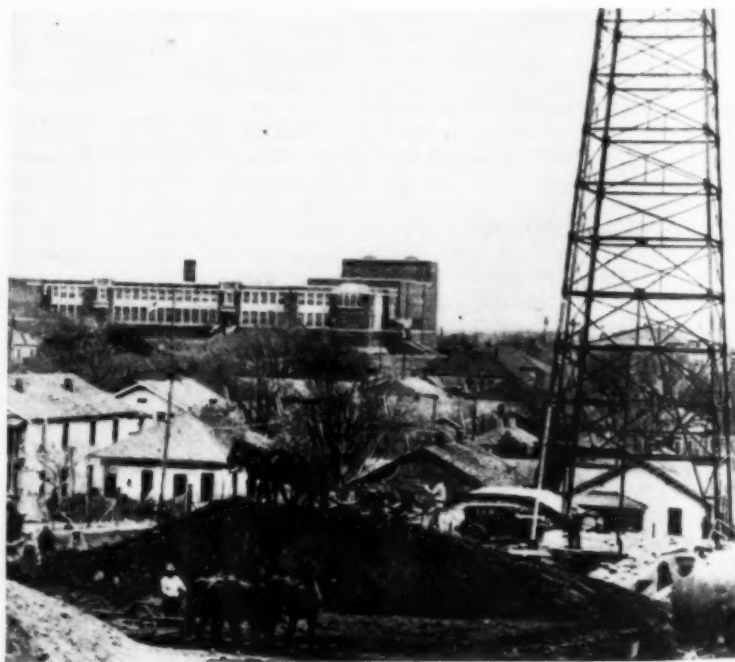
countries mentioned just recently issued patents on the Kaufman ringless method, offering that as evidence that no prior ones were on record.

Meanwhile, the forthcoming release of the combination ringless and seamless "3-carrier" hose is being watched by many manufacturers. They know that the ringless feature is an aid to more profitable operation from the production standpoint, but wonder whether it can lift the seamless type to greater popularity. So far, discerning women have considered "seamless" as something not quite up to par in fashion and the call has been for "full-fashioned," which meant seams. Madame Consumer will decide the fate of the ringless-seamless union in hosierydom while the courts decide whether the "ringless" patent is anything more than just a mere scrap of paper.

Trade-in Epidemic

As retailers in more and more lines offer trade-in allowances, N.R.D. G.A. seeks to evaluate the device.

To determine the advantages and disadvantages of a trade-in policy as applied to different classes of merchandise, the National Retail Dry Goods Association, through its merchandising division, is undertaking a special study of the problem, which many retailers believe will become an increasingly urgent one in many new departments with the steady



BACKYARD BUSINESS—After a 2-year fight with the City Council and Planning Commission in Oklahoma City, oil companies in a special referendum finally won the right to erect their derricks in the city's residential district.

acceleration of the home modernization drive.

Already in several branches of the retail trade there is evidence that an epidemic of trade-in offers is threatening. Not so long ago sewing machine and automobile dealers considered themselves the only retailers of consumer goods who were cursed with the trade-in problem. Gradually, dealers in washing machines, vacuum cleaners, radios had to face the music and establish trade-in allowances because new models, constantly increasing competitive pressure, and the growing scarcity of "clean" sales (not involving a trade-in) left no alternative.

New Kinds of "Trade-ins"

Furniture stores are supposed to have been responsible for stimulating trade-ins among the trades that previously had no such problem. Some smart furniture merchant offered to make liberal allowance for "your old furniture," boosted his prices to cover the allowance, found the public enthusiastic. Others followed suit. Recently, wearing apparel retailers have gotten the trade-in bug. "Bring your old shoes and we will allow you \$1 on the price of a new pair" reads one advertisement. A hat store offers to trade in your old lid and allow an amount graduated according to the price of a new one. Jewelers offer to trade in your old watch, eyeglasses, wedding ring or what have you, for new ones, and one neighborhood haberdasher even offered an allowance for the old shirt, if a new one with wrinkle-proof collar was purchased.

The trade-in articles are the subject of further trading. Old furniture, if in usable condition, is passed on to the second-hand dealer; some stores have actually found it profitable to establish their own "department" for selling trade-ins. Second-hand hats have a regular market and even became the subject of special clauses in the hat manufacturers' code, providing for their marking and identification.

Furniture Shows

Sales of furniture have encouraged industry to extend show list.

FURNITURE sales have been so good this year that a special circuit of spring shows has been scheduled to make it easier for manufacturers to keep the ball rolling and book all the business they can get while it's there to be had.

Jamestown will raise the curtain on spring and summer lines on Apr. 29, and Chicago and Grand Rapids openings follow on May 1. Those three close May 8, while the New York exhibit is scheduled to run from May 13-18.

Until last year, sentiment in the industry was against expansion of the

schedules on the ground that shows meant heavy expenses and other burdens that the trade could ill afford to carry.

The decision that special spring shows were necessary came after furniture wholesalers and retailers experienced during January and February the best sales volume in 5 years and found it necessary to reorder many items on which they had considered their stocks ample to last until the summer shows. Manufacturers were forced to step up production and some of the largest ones have not yet caught up with their orders.

New York has already announced that after the spring show and the usual summer exhibit a pre-holiday event will be held in November and it is expected that all but one of the other show centers of the industry will follow suit. High Point may decide to stick to only 2 shows annually because the special type of buyer to which Southern factories cater does not favor too frequent changes in styles and price lines.

Knitters Persist

Through smart promotion, yarn companies seek to make the knitting fad a national habit.

THE knitting craze (*BW*—Mar 24 '34) goes into its third year with the ladies clicking their needles in unabated fury. Stores report sales increases in yarn running as high as 100%. Bernhard Ulmann Co., a leader in promoting the craze, is behind in its orders. Other concerns are also said to be in this happy dilemma.

Prosperity hath its problems. Chiselers have been attracted into the business by the activity. A popular method of operation is to invent a brand name, buy yarn seconds from mills that will quote lowest figures, market the yarn to retailers on a price appeal. Large companies, which have money in promotion and a continuing interest in demand, are worried. Breaking of defective yarn, poor dyeing, resentment of the knitter who may have invested weeks of work in a garment, creates ill-will for all.

New yarns are being produced to intrigue the knitting millions. In addition to the original wools, womenfolk may now buy fancy yarns of bouclé (silk and wool), highly-mercerized cotton, crepes of rabbit hair and wool, soft-finished acetates. Plans are on foot for an educational campaign to teach children to knit—thereby building future demand. Beginners who might become discouraged by the weeks necessary to complete a finely knitted garment are enticed with "jiffy" outfits allowing garments to be completed in 3 or 4 days. These use thick yarns and jumbo knitting needles. A special one-armed chair for knitters (a direct de-



Gimbel Brothers Store, New York

GIMBEL STORES EXTEND HEATING MODERNIZATION

Install Webster Moderator System In Philadelphia on Basis of New York Performance

NO INTERRUPTION IN BUSINESS

PHILADELPHIA.—A completely modernized heating system, balanced to provide controllable steam circulation at low cost, has been installed in Gimbel Brothers Store in Philadelphia, the second store in the Gimbel chain now heated by a Webster Moderator System.

This second Gimbel modernization program, following as it does close on a similar installation in New York, has focused attention on the possibilities of reducing overhead by bringing heating systems up-to-date.

By applying fuel savings to the cost of modernization, scores of building executives are writing off their original investment in five years or less. There is no "starving" of the heating system to achieve these results. In every case, heating service is actually improved.

From a merchandising standpoint, an investment in improved heating is sound because it makes the department store more attractive and more comfortable for customers. The best advertising medium for a retail store is the store itself. When competition for sales volume is keen, faulty or uncontrolled heating service is a decided handicap.

Both Gimbel installations were completed during the heating season, without interrupting store operations. This feature of a Webster Modernization Program safeguards building owners against loss of revenue during the change-over period.

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address

WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Branches in 60 principal U. S. Cities—Estab. 1888



Gimbels, Phila.

scendant of the dairy lunch) is now on the market.

Methods by which the fad was originated are being continued and expanded. There is a demand for knitting instructors for needlework departments in retail stores. Smart young girls, not dear old rocking-chair ladies, are recruited. They wear knitted clothes—an important link in the vital necessity of visualizing for the customer how the finished dress will look. Last year hundreds of college girls took courses in temporary schools set up by the yarn

companies in New York, Chicago, San Francisco. In addition to knitting, instructors were shown how to sell and how to handle promotion for fashion shows and knitting contests. Small shop owners also took the courses.

Beyond pride in their needlecraft and the benediction of style creators, knitters have the satisfaction of large money savings. Material costing \$6 to \$22 can be made into garments that would sell for \$50 to \$150. Besides Ulmann, principal yarn companies are Fleisher, Columbia, Horstmann, Minerva.

Tariff Bargain With Canada

Washington will ask for lower Canadian duties on machinery, iron and steel, and fresh fruit. Ottawa wants bigger market for lumber, liquor, farm products.

YEAR after year Canada has been one of the best markets for United States exports. Likewise, imports from Canada usually exceed those from any other country.

Unhappy over the barriers to trade which have been raised in both countries in recent years, both Washington and Ottawa are discussing concessions which they will make to start negotiations.

Washington is expected to ask for lower duties on exports of Southern fruit and early vegetables, iron and steel products, and machinery. Ottawa will ask for lower United States duties on agricultural products, including livestock and dairy products, on lumber, fishery products, and liquor.

Liquor Angles

Both sides are eager for a new agreement which will stimulate two-way trade, but there will be a fight over the concessions. Canadian liquor people are after a 50% cut in the United States duty on liquor and are said to have the Prime Minister behind them.

The liquor question has interesting angles. At present Canada is almost the only foreign country which produces American type whiskeys—rye and bourbon. This being the case, it may be possible for Washington negotiators to reduce the duty on these particular types—as the duty was reduced on Cuban-type rum—without reducing the import tax on Scotch and Irish whiskeys or running into complications on reciprocal trade bargaining and most-favored-nation treatment.

Lumber is likely to be the real bone of contention when the 2 delegations get together. American lumber interests themselves are divided on the question. When the battle first started some years ago, those owning timber lands in Canada fought against a United States

import tax. Domestic interests won. Now the industry in the United States contends that concessions should be made only on non-competing types of lumber. Since it is the competitive Douglas fir industry of British Columbia and the Eastern spruce interests which are in greatest distress, it is not likely that Canadians will yield on this question without considerable concessions to their exports of dairy and fish products, or farm produce from the prairie provinces.

Following various tariff increases in the United States, Canadian duties have been raised steadily over the last 6 years. Last extensive changes came in 1932 when Canada, at the Empire meeting in Ottawa, made 262 changes in import duties, all but 37 of which were designed to increase the preference for British Empire goods. Eggs, for example, paid a duty of only 2¢ a dozen in 1928. The duty is now 10¢. In the same period, the impost on bacon, ham shoulders, and pork has increased from 2¢ a pound to 5¢. Pig iron formerly entered the Dominion duty-free; it now pays \$1.25 a ton.

Canadian Reform

Former minister, who investigated Canadian business practices, outlines reform proposals.

OTTAWA (*Special Correspondence*)—Having uncovered conditions in Canadian industry and business which aroused widespread resentment throughout the Dominion, H. H. Stevens, former Minister of Trade and Commerce and one-time head of the committee which made the daring revelations, has drawn up a drastic formula for the reform of these conditions and proposes

to fight to the last ditch for its adoption. Important points are that:

(1) Profits must be controlled through taxation by dividing all profit above a fixed rate into 3 equal parts, one to go to the state, one to the employees, and one to the company.

(2) Domestic prices should be protected against dumping by domestic manufacturers by assessing a tax equal to the difference between the dumping price and a "fair market value." Aim is to put an end to special price cuts on quantity purchases by large buyers such as big department stores.

(3) Mass-buying evils should be further curbed by limiting to 5% all discounts, rebates, and allowances.

(4) "Bigness" should be controlled by compelling holding companies to pay income taxes on individual units instead of on a consolidated balance sheet.

(5) Salaries above \$10,000 should be taxed as company earnings.

(6) Dividends should be paid only out of profits; stock premiums should be paid into capital, not profit, account; stock issues should be limited to one common, one preferred; annual statements should show all reserves and balances so as to reveal the true financial position of a company.

(7) A federal trade and industries commission should be created to control industrial and commercial corporations and administer commercial laws.

May Steal the Show

Whether these proposals reach the House in a general program proposed by the investigating commission, or directly from Mr. Stevens, they are likely to overshadow the reform measures of Prime Minister Bennett. Since he resigned from the government some months ago, Stevens has had small sympathy from his former colleagues, but there are many in the House who believe that his proposals for dealing severely with offending business interests would make an election platform on which the party would have a much better chance than it now seems to have.

There is no sign that Mr. Bennett, despite his present ill health, intends to relinquish his party leadership. However, the drastic Stevens proposals are likely to force the Prime Minister and his colleagues to push their more moderate reform program rather than provide a new party with a platform which could win wide backing in Canada.

Ottawa now expects Parliament to complete the business already in hand, and adjourn before Easter. During the following few weeks, in which Bennett is expected to regain his health, plans would be completed for a resumption of the session late in May. It is at this late session that the radical Stevens proposals are likely to be heard and legislation passed. After that will come dissolution of Parliament and the election.

ALERT MANUFACTURERS OF PARTS, MATERIALS and FINISHES ADVERTISE FOR BIG CUSTOMERS *in Product Engineering*

Who

...developed the new machines with which the office equipment manufacturers made their big sales increases last year?

...designed the new electric refrigerators which helped to increase 1934 sales 33 per cent over 1933?

...created the brand new thousand-dollar car brought out this year by one of the large fine-car manufacturers?

...designed the 1935 machine tools, multi-motored, electrically operated, accurate to new standards?

...develops the many new products and new models you see advertised every week?

...and who selects the steels, alloys, bearings, motors, paints, lacquers, etc., for these products?

...the *Product Engineering* readers...chief engineers, vice-presidents in charge of engineering, chief craftsmen, development engineers.

Sample yearly purchases of one manufacturer of construction equipment:

Steel (tons).....	260
Steel Tubing (feet)....	300,000
Die Castings.....	10,000
Motors.....	60
Anti-friction Bearings...	16,000
Gears.....	500
Speed Reducers	50
Lock Washers.....	200,000
Bolts and Screws (tons)...	60
Springs	3,000
Valves.....	300

1935 and 1936 will be highly competitive. Chief engineers have orders to develop new and improved machinery and appliances that maintain sales volume against competition and create new markets.

If they adopt your product you can expect big orders. Above is a sample of what one construction equipment manufacturer buys yearly.

This is only one of thousands of companies making machinery, appliances, transportation equipment, and "engineered" metal products that you can reach through *Product Engineering*. 8000 leading engineers and designers subscribe.

PRODUCT ENGINEERING

A McGraw-Hill Publication
330 W. 42nd St., New York



THE KEY ADVERTISING MEDIUM
FOR THIS QUANTITY MARKET

Canada's New Budget

Ottawa proposes new concessions on British imports and would levy a surtax on incomes above \$14,000.

OTTAWA (Special Correspondence)—British exporters will profit handsomely from the tariff revisions proposed in the new Canadian budget. Twenty commodities are added to the free list; on 14 others (including cotton and woolen fabrics and yarn), the British preferential tariff is reduced. The special 1½% revenue excise tax on imports of British goods is withdrawn, while the rest of the world continues to pay 3%. This alone will cost the Canadian Treasury \$4 millions on the basis of present imports. For the first time, most-favored-nation treatment is extended to British countries, and will be applicable immediately to Great Britain and North Ireland. Under this provision, British goods which do not enjoy the preference will enter under Canada's intermediate tariff.

These concessions are designed to extend the principle of the promotion of inter-Empire trade which was the basis of Canada's action in bringing about the 1932 Empire conference at Ottawa. Although voluntary, they meet complaints both in Canada and Great Britain that this country was not living up to the spirit of the Ottawa agreements.

The rich and the moderately well-to-do in Canada are to pay heavier taxes under the new budget rulings. Broadcasting to the nation in January, Prime Minister Bennett warned that this was coming, especially as it would apply to investment—or "unearned"—income. Surtaxes are to be applied to all incomes above \$14,000, whether earned or unearned. Any income over that amount is arbitrarily classified for the purpose of the tax as "investment income" and is subject to a graduated surtax starting at 3% and running up to 10% on \$200,000 or more.

\$12-Million Tax Yield

In this new taxation, the first \$5,000 of any income, earned or unearned, is exempt. From \$5,000 to \$14,000, any part of the income that is unearned pays the tax. Incomes between \$20,000 and \$30,000 pay 4%; from \$30,000 to \$50,000, 5%, with 1% increases at every \$25,000 up to the maximum of 10%. The Finance Minister estimates that this surtax will yield \$12 millions.

Some investment incomes are affected in another way. The privilege of making consolidated tax returns enjoyed by holding companies is drastically restricted, and where it is allowed, the corporation tax rate jumps from 13½% to 15%. Where there is no consolidation of returns, the corporation's income tax rate is increased from 12½% to 13%.

There are 2 other outstanding features of the budget. One is the abandonment, after strong agitation, of the federal tax on the premium value of gold. This is to encourage the Ontario gold mining industry. The other is a reduction in the excise tax on liquor from \$7 to \$4 a gallon, and a reduction of \$3 a gallon in the customs duty on spirits coming from Britain.

Changes in the general tariff are few and have little bearing on Canada's trade with the United States. Under all tariffs—preference, intermediate, and general—rates are reduced on infra-red films, certain classes of fence wire, bur-lap, cocoa matting and several parts for motor trucks. Only increase made in the rate under all tariffs is one applying to hookless fasteners.

Takes U.S. Trade

Prior to the Ottawa agreements, Great Britain supplied 35% of Canada's cotton cloth imports. Last year she supplied 62%. The present reduction in the preferential duty will turn over the Canadian cotton cloth import market almost exclusively to British exporters. Before the agreements Great Britain and the United States each sold Canada 2½ million lb. of cotton yarn.

Commodities added to the free list under the British preference are: fire-brick; checkered steel plates; piston-ring castings, not machined; box-end machines; diesels and semi-diesel engines; low-rating internal combustion engines; chassis for electric trolley buses

and for motor-driven cars for use on railway lines; artists' and pupils' colors; chloride of lime; aircraft and parts; press matrices, and advertising matter descriptive of Empire products; toy construction sets; brass band instruments; unbound and paper bound books; wooden doors; melton cloth and slipper cloth; mining locomotives.

Where Moscow Buys

Russians bought more from Britain, less from Germany last year. Trade balance is favorable.

MOSCOW (Cable)—Foreign trade figures for last year were released this week, show where Russia shifted purchases following the rift with Germany, prove that Britain is now Moscow's most important supplier.

Total trade turnover for 1934 exceeds 650 million rubles (about \$540 millions). Exports exceeded imports by 186 million rubles.

Imports from Great Britain were 20% of the total, were equal to the combined imports from France, the United States, Italy, and Sweden. Incoming British products were worth 46 million rubles, compared with less than 31 millions in 1933. Imports from the United States were worth almost 18 million rubles, compared with 16½ millions the year before.

Imports from Germany dropped from 148 million rubles in 1933 to 29 millions last year. Germany's share in Soviet imports dropped from 42% in 1933 to 12.7% last year. Orders which might have gone to Germany were shifted to Britain, France, the United States, Holland, Mongolia, and Persia.



RUSSIA EXPORTS AUTOMOBILES—First export shipment of 570 Soviet-made automobiles, trucks, and buses left Odessa recently for delivery in Turkey. Included were 4-cylinder passenger cars like the one in the picture, 3½-ton 6-wheel trucks, and modern buses for use in Ankara, the Turkish capital.

Business Abroad

Germany makes 5 demands, including territorial expansion and arms equality. Britain is more ready to bargain with Berlin than either France or Italy. Belgian currency breaks; new cabinet promises close monetary control. Europe was poor U.S. customer in January.

BOLD frankness characterized the meeting in Berlin this week of Sir John Simon, British Foreign Secretary, and Reichsführer Hitler. With few preliminaries, Hitler made 5 demands: (1) a German economic union with Austria; (2) elimination of the Polish Corridor; (3) return to Germany of some Czechoslovakian territory in which 3½ million Germans live; (4) aviation strength for the Reich equal to the air forces of Great Britain or France, the level to be governed by the air strength of Soviet Russia; (5) a navy of about 400,000 tons.

Official representatives of Britain, France, and Italy are scheduled to meet at Stresa, in Italy, on Apr. 11, to consider their next move. Present indications are that Paris and Rome are in no mood to make any concessions to Hitler; the British, less directly affected, appear to be in a more conciliatory frame of mind.

What the Nazis Promised

If there is surprise in informed circles over the bold Hitler demands, it is because they have come only two years after he came into power in the Reich, and not because there was no warning that the Nazis had such aspirations. The program of the National Socialists, laid very frankly in Hitler's book, "My Battle," had, as its first 3 of 25 parts, these aims: "(1) We demand the union of all Germans in a Greater Germany according to the right of self-determination; (2) we demand for the German people equality with all other nations, abolition of the peace treaties of Versailles and St. Germain; (3) we demand land and ground (colonies) for the subsistence of our people and settlements for our overpopulation." This entire program was first read at a mass-meeting in Munich on Feb. 25, 1920. European foreign offices made themselves familiar with the program when it seemed likely that Hitler would become Chancellor of the Reich. That helps to account for the prompt moves to build up armaments immediately Hitler was elected; it helps to explain why there has been no panic in the last two weeks when these aspirations were proclaimed for the first time in official conferences with representatives of foreign governments. These negotiators had long ago read Hitler's declaration that "the Germans in Germany, Austria, and Poland will be united without having to ask the permission of any other people." Hitler has failed so far to carry out many of his strictly domestic reforms, but this evidently will not deter him in his foreign policy.

There is no sign this week that war is any more imminent than it was a week ago. Every country in Europe expects it ultimately, but the interval of peace is still expected to be at least a

year. There will be no reducing of armaments. The time has passed when that was possible. But if the interval of peace is prolonged it will be due to the seasoned diplomatic bargaining of the British.

Each one-time enemy has a different reason for opposing Germany's demands. France is the guardian of the Little Entente, of which Czechoslovakia is the key member. Though this is the only member of the Little Entente definitely mentioned in the present Hitler demands, all members would vigorously oppose any territorial revision because each profited from Versailles.

Italy to Control Abyssinia

Italy, though she failed to get the territory promised her when she went into the war on the side of the Allies, has concrete evidence in the freedom of action which has been granted her in Abyssinia, that this injustice will be remedied. And Italy is certainly unwilling to have Germany as a border neighbor, as she would if Berlin were to win control of Austria.

Russia knows that Germany has aspirations in the Ukraine, whether they are mentioned by Berlin or not. And, with Japan ready to expand in the Orient, Moscow is afraid of attack simultaneously from Europe. This accounts for the promptness with which Paris and Moscow renewed treaty talks as soon as Hitler moved.

Another Managed Currency

Business is still more perturbed over the fate of the gold bloc. The Belgians have succeeded in creating a new government which has already pledged itself to a managed currency. Nevertheless, belga futures are selling off, as are futures of most gold bloc currencies, and nationals in these countries are known to be hedging in metals and other commodities against ultimate and inevitable devaluation. It remains to be seen whether a constitutional government in Brussels can manage the currency with the firmness which Mussolini has practiced in Italy in the last two months. If so, all-round devaluation might not be a matter of the next few months. If not, devaluation may be expected soon, at least for the belga. London is of the opinion that the gold bloc cannot long

hold out now, and that the resulting currency chaos would be so disastrous to business that even the "recalcitrant Roosevelt" would be ready to join a new world economic conference to stabilize international exchange rates probably somewhere near the levels of the last few months.

Foreign trade of the United States in January, last month for which detailed figures are available, shows interesting trends. Sales of American goods to Europe, for instance, were nearly 13% below the level of the same months in 1934. To all other major divisions, our exports increased, the gain to Australia and islands of the Pacific being nearly 40%, to Africa about 37%. Our sales more than doubled to Chile, the African Gold Coast, and to Russia in January. Greatest slump was in sales to Germany, which were 70% smaller than in January, 1934. France, Belgium, Holland, and Spain also took less of our goods.

Imports Are Up

United States imports were 23% greater than in January a year ago. The Pacific territory also made the biggest gain in business, selling the United States nearly 47% more than a year ago. Mexico and Central America increased their sales to the United States 45%, and imports from Asia were up 37%. South Africa, Turkey, Poland, Australia, and the West Indies more than doubled their sales to the United States over January, 1934. Gold bloc countries failed to supply as much to the United States this January.

France

Business is depressed by European troubles. Trade negotiations are neglected in rush of political conferences. Swiss plan a NIRA.

PARIS (Wireless)—France is worried over the week's developments in relation to Germany. Sir John Simon's inability to win a single concession from Hitler; the bold demands issued in Berlin, particularly affecting France's satellite, Czechoslovakia, and swift moves by the Foreign Office to cement pacts with Moscow have all been watched by business with some misgivings. The threat is not immediate, but there will be no recovery of business so long as war seems inevitable ultimately. Next big decision is likely to come from the Stresa conference of French, British, and Italian officials on Apr. 11. France almost certainly will denounce the Hitler move at the League of Nations meeting on Apr. 15. Nothing so well indicates the seriousness of the situation (as far as the French are concerned) as the move by the government this week to ban exports of certain raw materials considered necessary for national defense.

In the midst of this diplomatic flurry, French industrialists and politicians are attempting to negotiate new trade bargains with Italy, Germany, and Russia, but little has been accomplished. All interest for the moment is trans-

ferred to the big national issues. It is rumored, but not yet confirmed, that several big French industries are planning a 2 billion franc loan to Russia for rail equipment purchases. Internally, the government has moved to make money more plentiful by ruling that loans in France cannot carry more than 5% interest, for Algeria, 6%. This proposal is in a bill which is now being considered by Parliament.

Swiss NIRA

The Belgian situation is watched carefully. So is the Swiss. This week Paris noted the fact that the Swiss Federal Council has offered a 12-point program which is likely to win considerable favor in the country. It strongly resembles measures adopted in France and obviously is patterned after NIRA. It has 7 major provisions: formal protection of the domestic market, and aid to exporters in the form of government export credits and guarantees; financial relief to livestock and dairy farmers; relief for the hotel industry through a new drive for tourists (tourists already have been offered a special pound-franc rate); relief to industry through financial aid for industries already in distress, and for small private enterprises; initiation of a public works program; relief for the unemployed through the creation of new industries, reducing the working week and spreading employment, and by developing "work service" for the young unemployed; extension of price control where necessary to keep down costs on items entering the country under import restrictions.

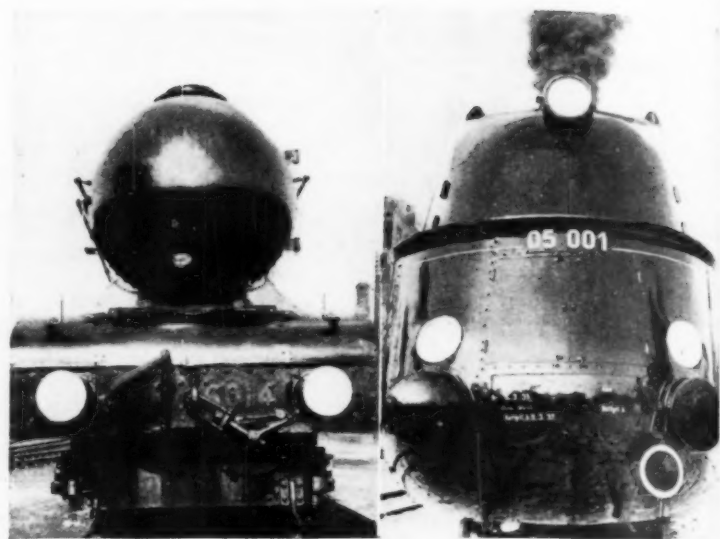
Germany

Business is worried by currency uncertainties, war threats. Imports are reduced by control boards.

BERLIN (Wireless)—While Germany as a whole is pleased with the firm stand which Hitler has taken, business is nervous over the nightmare of Franco-Russian and other military alliances which are being made with all speed. Germany's stand is not likely to be altered by any move which the former Allies may take at their meeting in Italy next month. The tense situation in Lithuania is attracting far more attention.

The belga flurry and the tottering gold bloc have caused a resumption of internal discussions of the expediency of mark devaluation, especially since the export outlook is gloomier than ever. There is also the problem of financing public works as the recent 500 million mark loan is being spent without improving conditions sufficiently to make the sale of government bonds a possibility of the near future.

Only one development in February foreign trade was encouraging. The trade balance, while still unfavorable, was smaller than in January, due largely to the fact that imports were smaller. This is no doubt caused by the tightening of restrictions by the control boards.



STREAMLINED FOR SPEED—Here are 2 versions of advanced European streamlining—the one British, the other German. Both are designed to attain the same objective: even faster schedules than those which currently obtain under the revitalized transportation program in both countries. The Great Western Railway's new "King Henry VII" (left) is being groomed to break the English system's speed record in celebration of its centenary, and the new German streamlined locomotive, built by Borsig, is scheduled to hit 175 kilometers an hour.

Great Britain

London anticipates devaluation in Belgium. "Ideal Home" exhibition gives fillip to building.

LONDON (Cable)—Troubles in Europe—foremost of which are the weakness of the Belgian currency and the unsettlement which has followed the Hitler move—have slowed British business, though London is probably less disturbed by the German move than most Continental capitals. London is committed to no definite policy in Central Europe and is likely to consider Hitler's demands a little more impartially than Paris or Rome or Moscow. The British public is definitely anti-war, and British officials are likely to go a long way to bring about some peaceful adjustment of differences.

After watching the Belgian situation for another week, London is of the opinion that Belgium will be forced soon to abandon the gold standard, and that Holland and Switzerland will follow soon, with France unable to hold out for long alone. British exporters are already worried over the new competition which Belgium will offer in world markets with the advantage of a cheaper currency. The British tariff on iron and steel products will be increased from 33½% to 50% to protect the home market from a flood of Belgian specialties which would come into the country as soon as the currency was devalued.

If the British expectations for the gold bloc prove true—and the closing of the Brussels Bourse for 3 days gives substance to these fears—there will almost inevitably be a few weeks of currency chaos which would lead quickly to

a calling of a World Economic Conference to consider restabilization of currencies, probably at parities somewhere near present levels.

Industrial company reports continue to show excellent increases in both profits and dividends, and the new-issue market is still active.

London is genuinely excited over the "Ideal Home" exhibition which has just opened with a flourish. The King has paid an official visit to the "King's House," a prize model planned as the ideal home for an Englishman. There is an extensive display of modern bathroom and kitchen facilities.

Glass for Insulation

Among the new industries which have been established recently in Britain is a plant at Birmingham for the manufacture of a new form of glass. The glass is a sandwich made of two pieces of thin brown sheet glass with a center layer of glass silk. Its principal use is as a building material, and it will form a substitute for various kinds of roofing and even bricks in some construction.

Glass silk is one of the best forms of heat-insulating material, and premises glazed with this new glass will be cool in summer and warm in winter. The sun's rays are diffused by the glass with an almost entire absence of shadow.

Business is interested in a new telephone development. An appliance has been invented by a Welshman, and demonstrated to experts in the Post Office (which operates the British telephone and telegraph systems). It is attached to the telephone and automatically records on a tape the number of the person who called if no one answers the telephone. The Paris telephone system has recently installed such a service, but it is not automatic (BW—Mar 23 '35).

Britain, like many other European countries, is finding in Palestine a rapidly expanding market for exports. South Wales particularly is benefiting from large shipments of coal to Palestine, the British taking in return the excellent oranges which Jewish pioneers are now cultivating on such a large scale in the neighborhood of Jaffa. More than 70,000 tons of South Wales coal are sold annually to the Palestine railways.

Latin America

Washington swaps gold for Mexican silver. Argentina plans big public works expenditures.

SALE by the Treasury of 32,000 ounces of gold to Mexico created a smaller stir than the announcement by Secretary Morgenthau that the government was prepared to "swap" gold for silver "or other commodities." Tin, tungsten, manganese, and antimony were mentioned in rumors of other products which might come into the country under such deals, though no one was prepared to explain just how the purchases would be authorized or handled. After a week, the matter simmers down to the fact that the government would be willing to sell gold to almost any foreigners at a slight fraction above \$35 an ounce. Since silver purchases come under the scope of the Treasury Department, the Mexican deal could readily be arranged. With tin and other items, it is a different question.

In the case of Mexico, the deal was more of friendly gesture than anything else. Washington wants silver, of which Mexico has an abundance; Mexico

wants gold ultimately as a backing for the country's currency. By buying direct from Washington, the Mexicans avoid the exchange and transfer costs of handling the deal through Paris.

There is one other consideration. Mexico benefits from the Washington silver buying program until the world price of silver reaches about 72¢ (it was pushed above 60¢ in recent speculative buying) when it would become profitable for Mexicans to melt down coins and sell them abroad for their silver content. Though this may be a remote possibility, the recent deal indicates measures in which the two governments could cooperate to control the price.

No other development in Latin America has attracted widespread attention this week. Plans are practically completed for the establishing of an American bank in the Virgin Islands to take over the quarters and business of the Danish bank which operated there so long as the islands belonged to Denmark.

\$226 Millions for Roads

Argentina's public works program for this year calls for expenditures of \$40 millions. More than \$10 millions will be spent on railroads, \$7 millions on public buildings, and \$8 millions on sanitation projects. In addition, a 13-year road-building program calls for expenditures of \$226 millions for 30,000 miles of highway and 1,000 bridges.

It is known that efforts are being made to thaw collections frozen in Brazil. Thought is that American accounts will be collected through the cooperation of the Export-Import Bank, though no word has yet come from Brazil that the government will issue notes to cover these accounts which, in turn, might be discounted in Washington at the

EIB. Business, however, anticipates such a move in this country, with Britain probably taking a similar step.

Brazil has just released cotton export figures for 1934. Total shipments abroad exceeded 126 million kilograms, worth \$35 millions. England bought 66 million kilos; Germany 21 millions; and France 11 millions. Japan made her first extensive purchases of Brazilian cotton, taking nearly 2 million kilos.

Canada

Budget is received favorably. Vancouver forced to consider default more seriously.

OTTAWA—The week has brought its bitter protests against the heavy income surtax and the increases in corporation taxes announced in the budget last Friday, but in general the public has received the budget proposals favorably. It has few changes for the "average citizen." Concessions to British imports meet with general approval. Ontario is greatly pleased with the abandonment of the gold tax.

Without naming names, the Finance Minister has administered a severe rebuke to Mayor Gerry McGeer of Vancouver for his recent widely-heralded threat arbitrarily to reduce the interest rate on Vancouver City bonds. This threat has seriously disturbed external investment markets for Canadian securities, especially London, where prices of Canadian securities have been depressed following the McGeer utterances.

Criticism and pressure from so many sides have caused McGeer to modify his stand. He is now proposing to ask holders of \$66 millions of bonds to agree to refunding on the basis of 3%. The bonds call for an average rate of 4.65%. Failing to win the consent of bondholders, he says he will press his demand on the British Columbia legislature for authority for arbitrary action.

Surplus Power Controversy

From Toronto it is reported that A. R. Graustein, of New York, president of International Paper & Power Company, has been in the Ontario capital discussing the provincial government's desire for a revision of the Ontario Hydro Electric contracts with power companies in Quebec. Provincial Premier Hepburn and his colleagues claim that the contracts inherited from the former government are at too high a rate—\$15 per h.p.—and that Hydro cannot dispose of all the power. There is also a contract with Beauharnois.

To a large extent the Hydro situation is political—an attempt by the new government to discredit its predecessors. Unquestionably, however, the contracts with Quebec power companies call for the delivery of more power than can presently be disposed of, but it is argued that the depression is responsible for this. The Ontario government is worried over the charges which have been made against the \$500-million publicly-owned Hydro, fears that private interests will take advantage of the situation.



Wide World

LIQUIDATING TROUBLE IN THE EAST—With friction enough on the Western front, the U.S.S.R. takes its most important step to date in the direction of a Japanese-Soviet rapprochement, orders its Tokyo Ambassador, Konstantin Yurenev (at left with pen) to sign the final agreement for the sale of the Chinese Eastern Railway to Manchukuo. Japanese Foreign Minister Toki Hirota and Manchukuoan Minister Shih-yuan Ting gladly squiggle their signatures to the \$40 million deal for the 1,000-mile line, now to be called the North Manchuria Railway.

Money and the Markets

Financial markets pay more attention to corporate financing than to inflation talk but expect Washington to do something about silver. Stocks drag with railroads tailing the list. Commodity curve turns up.

RESUMPTION of corporate bond financing has provided a new and constructive topic for conversation in the market places. New issue business aggregating well over \$100 millions gave investment houses the busiest week in 2 years and they are looking optimistically ahead to still more of the same thing.

Combined with the successful conclusion of the government's Fourth Liberty refunding, these definite events obscured the new outbreak of inflationary symptoms in Congress and fresh foreign monetary disturbances.

Typical reaction among financial people to the House action in passing the Patman "greenback" bonus measure was conveyed in the expression of one banker, "The House has voted the same thing before." Even less attention was given the Thomas silver amendment to the work-relief bill, particularly after the House failed to support the silver bloc in its move to save the amendment from death in conference.

Silver is not to be disposed of so readily, however. Senator Thomas promises to bring his 4-point plan for increased monetization up again and the market for the white metal is about to force governmental attention to the subject. The recent advances have brought silver in the open market to within striking distance of the 64½¢ per oz. figure at which the Treasury is taking domestic mine output. It is not expected that silver state legislators will be long content with this elimination of subsidies for their pet industry. Of course, the Treasury can step the price up at the expense of its profits since it pays for silver with certificates issued at the rate of \$1.29 per oz.

Silver Buying Resumed

The Treasury has run the market up on itself by mopping up most of the available silver and is now evidently getting keen competition from other buyers, both foreign speculators and investors seeking refuge from depreciating currencies. Import figures indicate that stabilization operations have recently required Washington to resume silver purchasing on an extensive scale. Reflected is the disinclination to take any more gold from the rest of the world than is necessary, and the distrust felt toward foreign currencies. Exports of silver from England to the United States have recently been running around \$4 millions weekly, evidently in settlement of dollar exchange which was forced abroad to hold down the value of the dollar. Gold imports have been inconsequential during this period and foreign exchange brokers indicate that the Treasury has done little in foreign currencies directly.

Excitement over the Belgian situation

had surprisingly little effect on exchange values outside the belga. Stability in the rest of the market caused financial circles to discount British talk of an early demise for the rest of the gold bloc and stabilization agreements following an interim of acute disturbances (page 29).

Judging from experience, Treasury officials say that less than \$200 millions of the \$1.87 billions of Fourth Liberty 4½s will be tendered for payment Apr. 15. Some \$175 millions more not exchanged for the new 2½s will dribble in over a long period of time as is customary in the case of a large, widely held issue. This outcome was considered highly satisfactory by the Treas-

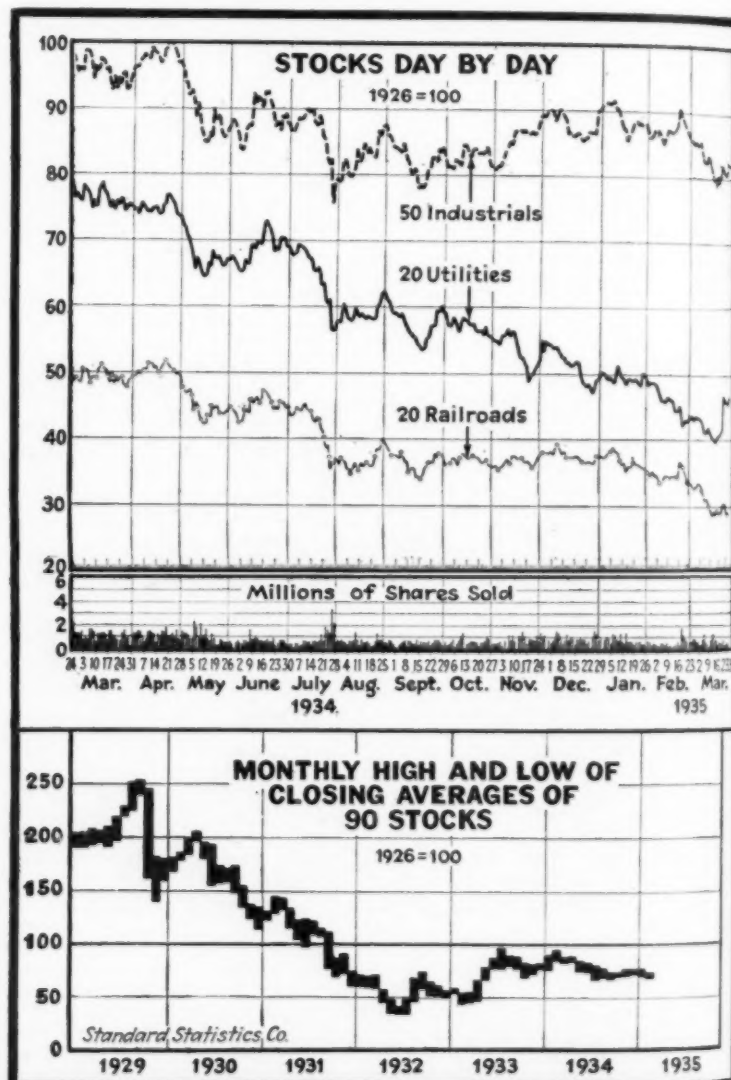
ury, which is now framing the exchange proposition to be offered for the \$1.9 billions of First Liberty bonds called for payment June 15.

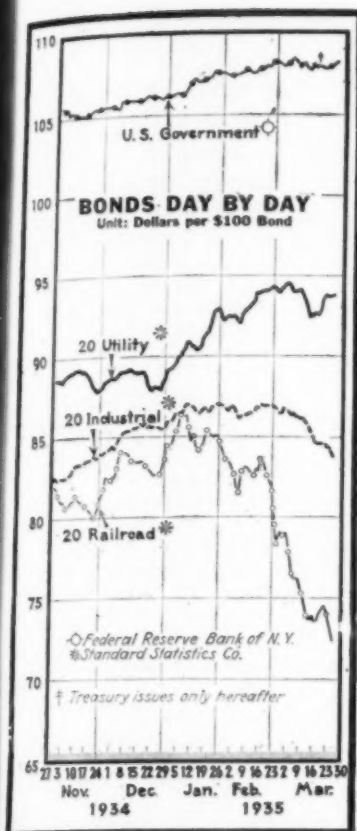
For the current month the government is living within its income, thanks to the heavy first-quarter income tax instalments, which are exceeding by a good margin the \$300-million estimate. Total revenues for the first 3 weeks of March were \$537 millions; expenses ran only \$466 millions, leaving a surplus for the first month in 2 years.

Government Lending Curtailed

Even government lending activities have been on a restricted scale recently, partly on account of delays in getting fresh authority. New RFC loans in February were only \$23 millions against \$38 millions in January and \$135 millions in December.

Commercial bank lending has been slightly more active. New loans have been more than sufficient to offset the usual first-of-the-year liquidation of credit, and loan accounts are expected to rise with spring. Customers' loan rates, only money rates not already at irreducible minimums, ruled easier.





Bonds

INVESTMENT dealers had only a fair market situation this week as a background for their venture into new financing on an enlarged scale. However, the government bond list was up and the gilt-edge securities generally took their cue from that leadership, disregarding the weakness in other sections of the list. The Treasury's new 2½s issued in exchange for called Liberties went to better than a point premium, a new high, upon termination of the offering on Wednesday. Railroad bonds went into another nose dive. Utility bonds held their recent gains firmly, a considerable investment demand appearing for better-grade power securities when no further adverse news on their industry came out of Washington.

Municipal dealers were more than normally busy with a total of \$50 millions of awards on the calendar. These were headed by the \$34 millions Port of New York Authority bonds which brought the issuer a \$1,851,616 premium at their 4% coupon rate and were sold publicly on a 3.67% yield basis.

The Street already sees in prospect half a dozen more substantial pieces of corporation financing. Included is the first large bond financing for a distillery—\$15 millions for National Distillers Products Corp. This would be new borrowing, designed to finance the stocking of spirits for aging. The problem has already put heavy demands

upon the company's working capital, requiring an accumulation of bank loans of \$5 millions to carry inventories of \$24 millions. Investment circles will be glad to see the industry using the capital market instead of banks for this purpose. There is good collateral for bank loans in warehouse receipts and, with banks barred from underwriting, it is feared they will grab all available business that can be shaped up into 5-year advances which they can handle, incidentally relieving the issuer of the necessity for registration under SEC.

More Refunding Due

Chicago bankers report that a refunding for \$90 millions of Armour & Co. debt is taking shape to follow this week's offering of \$43 million Swift & Co. bonds. From the Pacific Coast word comes that California Edison is preparing to refund \$68 millions of its funded debt. United Biscuit has applied to SEC for issuance of \$5 millions, of which \$1 million will be new financing, the rest used to refund outstanding obligations.

In Philadelphia Tuesday, directors of Norfolk & Western voted to call \$35 millions underlying divisional 4s, but \$25 millions of the total will be met with treasury cash, \$10 millions will come from bank loans. Standard Gas & Electric will avoid the market in its \$25 millions of maturities by asking holders to grant a 5-year extension on its notes which fall due next October.

New York City has joined the parade, announcing plans to call \$50 millions of old 4½s, cutting its debt by cash payment of \$16 millions and refunding the balance at a lower rate. The rate on the new issue will be determined by bidders who are expected to set it at 3½% or lower.

The Farm Credit Administration anticipated a refunding of old high-coupon Federal Land Bank obligations May 1 by announcing that new mortgage loans to farmers will henceforth be on a definite 4½% basis. Previously that rate has been an emergency provision and the Treasury has reimbursed the banks for the losses incurred in lending at less than the money cost them. The banks have \$163 millions of 5s and \$185 millions of 4½s which could be replaced at sharp savings, perhaps at 3½%.

Stocks

Stock trading has again subsided to meaningless proportions, prices moving within a narrow range on inconsequential volumes. The utility stocks have done the best recently, stubbornly retaining their gains of a week ago. New pressure had centered on the railroads.

Bad news piles up on the carriers. February earnings reports continue the doleful tale of the previous month so far as gross revenues are concerned. The occasional improvement for new income is usually traceable to curtailment in expenses, mostly representing retrenchment in already neglected maintenance work. With another wage in-

crease immediately ahead, a coal strike threatening the future of the coal carriers, drought darkening the outlook for the grange lines, speculative sentiment on this section of the list is at a new low point. Adding to the despair was the resigned attitude of Coordinator Eastman over the probable failure of his rail bills to get through this session.

There have been points of strength scattered through the industrial section of the list, the sugar stocks continuing to reflect the advancing prices on their commodity, the metal shares encountering somewhat greater interest on the strength of copper and silver price increases.

Some pressure appeared from liquidation of foreign holders apparently actuated by the profit in converting dollar exchange. An exception to this tendency was noted in buying of International Nickel, one of the prominent "international" issues, thought to reflect the hedging of foreign capital against currency depreciation abroad.

Grape-Nuts Flakes



Placed on the market only four years ago, this product is today one of America's most popular breakfast cereals.

One of the products of

GENERAL FOODS

250 PARK AVENUE
NEW YORK CITY



Don't Leave It to Chance

MANY things in life are dependent on the whims of chance. But there is one thing which need not and should not be left thus insecure. That is the future well-being and support of those who are dependent on you.

Life insurance is the only way of taking the element of chance out of your family's economic future. Let us send you our booklet which tells how.



JOHN HANCOCK INQUIRY BUREAU
197 Clarendon Street, Boston, Mass.

Send me your booklet showing how life insurance takes the uncertainty out of the future.

Name

Street and No.

City State

B. W. 2-35

How to increase your collections

Gives practical methods of handling collections from terms to till, with 250 examples of tested collection letters.

The letters and complete collection follow-up series in this book have been used successfully in actual practice by well-known companies of various kinds and sizes in all parts of the country. Besides presenting these letters, the book shows specifically and in detail how to adapt them to the needs and requirements of your business.



TESTED
COLLECTION
LETTERS

Tested Collection Letters

By CHESTER H. McCALL, Assistant to U. S. Secretary of Commerce, formerly Editor *Credit and Financial Management*. 383 pages, 6 x 9, \$4.00.

The guiding principle of this entire book is adherence to practical experience and tested methods in the collection field. Presents letters and ideas that others in the credit field are using today with real success. Gives names of companies and record of results wherever possible. Tells especially how to adapt letters and ideas to different lines of business. A practical record of how others have done it; a source book of ideas and stimuli. Send this coupon.

McGraw-Hill Book Co., Inc.
330 W. 42nd St., N. Y. C.
Send McCall—Tested Collection Letters for 10 days' examination on approval. In 10 days I will send \$4.00, plus postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

Name
Address
City and State
Position
Company B.W. 2-30-35

Commodity Markets

COMMODITY markets were enlivened by spectacular developments in a number of directions this week. Sharp run-ups for silver, rubber, and copper and a moderate lift to grain and cotton prices gave trading enough features to stimulate interest and enough strong points to slant the general price trend upward again after the long recession had been checked in the previous week.

Somewhat broader participation of consuming trades was noted in commodities that had signaled the end of bargain supplies, although commitments continue on a restricted basis in most items with the individual situation of the commodity determining the policy of users. Speculative interests have 3 topics of conversation—inflation, war, weather. So far, however, they have given none of these subjects much more than casual attention.

Rubber Clamp a Surprise

The International Rubber Relations Committee surprised brokerage circles by suddenly clamping down on shipments of rubber from plantations, although it had been anticipated that action along those lines would come in time if prices continued to sag (*BIW—Mar23'35*). Export quotas for the second quarter are to be on a 70% basis instead of 75% as announced in February and those for the third quarter will run 65%, subject to revision as were the quotas first announced for the April-June period. After dropping from 13¢ early in the year to a recent bottom of 10½¢ per lb., prices jumped more than 1¢ upon word of further curtailment, apparently on covering by speculators caught short. Further advance was impeded by prospects of strikes shutting down the tire factories.

It was likewise production-control news (*BIW—Mar23'35*) that gave cop-

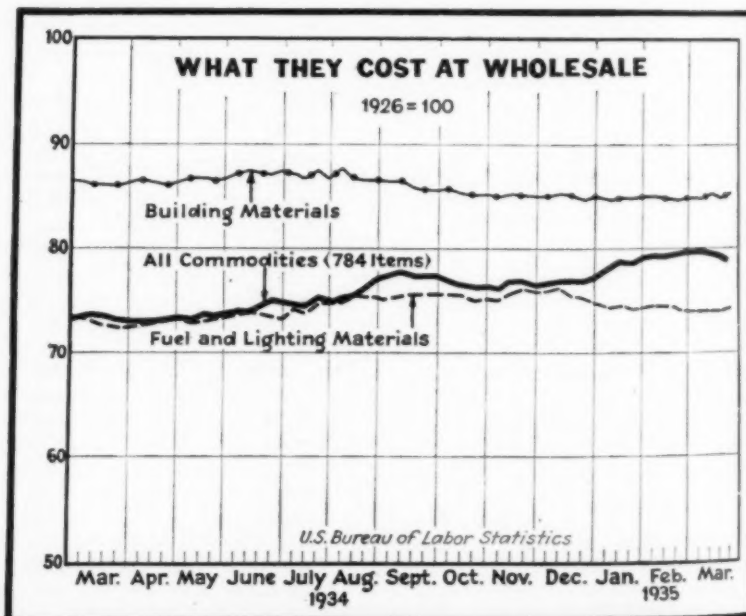
per its sharp upturn (in foreign markets, of course, since domestic prices remain pegged at 9¢). London copper prices shot up well above 7¢ on heavy-volume buying. Besides the prospects of curtailed supplies, the war cloud over Europe and exchange uncertainties were influences in all the non-ferrous metals. They are understood to have become favored "hedges" for money frightened about another wave of currency depreciation abroad.

Dust storms reaching a new intensity in the Southwest and extending for the first time into some sections of the Northwestern spring wheat area have given grain prices sporadic fits of strength, but feed grains are hampered in their advance by cheap foreign supplies at the Eastern seaboard. Pacific Coast white wheat is reported to be coming by boat to the Atlantic Coast and selling as feed along with foreign corn. Further cargoes of Polish rye were said to have been contracted for at a new low figure of 37¢ per bu. c.i.f. With 15¢ duty added, the price is still well under Chicago futures, which, in turn, are at a sharp discount from the domestic spot grain.

Cotton Braces Up

Cotton prices braced upon assurance from Washington that government loans were to be continued, but failed to extend the advance in the face of curtailed operations for textile mills. None of the farm markets paid much attention to the work-relief bill amendment designed to eliminate processing taxes, feeling that it would be eliminated in conference at the insistence of AAA.

Persistent strength in raw sugar which established its ninth successive weekly high was translated into better refined prices with practically all melters putting white sugar up to 4.70¢.



Editorially Speaking—

Dust storms and droughts have taken the responsibility of crop reduction out of the hands of Secretary Wallace. With the good part of the winter wheat crop either cooked or blown away, spring wheat farmers are being told they may plant as much as they like. The intimation is that it will be patriotic to plant as much as possible. However, they are to be paid some \$30 millions for having intended not to plant if the necessity to plant had not arisen. It is explained that this \$30 millions will be used to pay for good intentions next year, assuming that there may be reasons for crop curtailment at that time.

When the idea of paying farmers for not doing anything first originated, every cocktail party discussed the feasibility of buying a farm and being paid for not planting something one did not want to plant anyway. Extending the logic of the present proposition to its ultimate, one should not need even a farm to rank a bonus. All that one should be required to possess is good intentions.

THERE are 9 cardinal points in the program announced by the Senate Munitions Committee to take the profit out of war. Devised by an over-exhilarated publicist on the committee's payroll, 2 points more cardinal than the others would limit individual incomes to \$10,000 a year in time of war and draft the general officers of corporations into the military forces.

Perhaps we could find jobs as soldiers and nurses for the cooks, butlers, and gardeners who would be thrown out of employment, and make barracks out of the thousands of homes that must be abandoned immediately. Perhaps also if the general officers of corporations were put in front line trenches, the economists and publicists who are reorganizing the order of life would direct corporate effort in the production of munitions and all the paraphernalia of war. On this basis the next war would be a good show if nothing else.

A BUSINESS man whose means do not permit him to indulge in philanthropy became interested in a fine young German boy of 20 years who was sadly in need of a job. He paid for an advertisement in a farm paper offering the services of the boy at \$10 a month for living expenses and a good home. To his amazement he received three hundred offers of jobs. Having placed his friend it occurred to him that such opportunities should not be wasted and he began going from one relief agency to another offering these work opportunities to men on dole. Eventually he gave it up. Not a single person could be

found on relief rolls who would accept one of the three hundred jobs, and professional relief workers laughed at the idea—Perhaps after all it is funny!

MICHIGAN affords an interesting sidelight on old-age pension schemes. Under a law passed in 1933, 3 million workers were to pay \$2 apiece into an insurance fund. Today 2,700,000 of them have failed or refused to pay the tax, but no politician dares make a move to force collection. The present policy is to forgive the claims and to pay all benefits in the future from the general fund. This again raises the question as to when insurance becomes a dole.

THERE are 531 members of the United States Senate and the House of Representatives when the roster is full. Preparing obituary notices for the Congressional Directory, 327 of these indicate that they are lawyers and never have been much else but lawyers and office holders. There are 321 of them who pointed to previous places of distinction on the public payrolls. One had been a minister of the gospel, one a radio announcer, and one an acrobat.

PRESIDENT ROOSEVELT has given some of our biggest and incidentally our richest business men goose pimples when, in confidential conversation at White House interviews, he has gravely debated whether any man had a social right to earn more than \$10,000 a year. We were a little troubled about the matter ourselves. But everything seems to be all right. The Chief took a special train to Florida and will spend his vacation, as usual, on Vincent Astor's yacht *Nourmahal*. Perhaps the *Nourmahal* isn't quite as swanky as the *Corsair*, but it is outside the \$10,000 bracket.

CHEMISTRY in North America changed from ancient magic to an industrial technique 300 years ago this April, according to the present chemical industry which will celebrate the fact in New York on April 22. The official celebrants will be the American Chemical Society, Manufacturing Chemists Association, and Organic Chemical Manufacturers Association convening at that time.

The occasion celebrated was that on which John Winthrop, Jr., first colonial governor of Connecticut (and son of the famous governor of Massachusetts Bay), mapped out in 1635 a far-reaching program for the production of salt, iron, glass, potash, tan, black lead, saltpeter, copper, alum, medicines, and other chemicals. Governor Winthrop had previously imported the equipment for chemical studies.

Which type of
HEARING AID
is better for you?



Try both before
you decide!

Some people find a bone conduction aid is best for them. For others, the air conduction type makes hearing easiest. Western Electric offers both types—urges that you try both and decide which is better for you.

The Audiphone transmits sound so clearly because it was developed by sound experts at Bell Telephone Laboratories. Latest improvements can be added to instruments now in use—thanks to the Audiphone's unit design.

Try the Audiphone and hear the difference for yourself!

Distributors in Canada: Northern Electric Co., Ltd.

Western Electric
• HEARING AID •

Consult telephone directory for address of Graybar branch in your city, or mail coupon to Graybar Electric Co., Graybar Building, New York, N. Y. for full information on Western Electric Audiphone and name of nearest dealer.

B.W. 19

Name.....

Address.....

City.....State.....

BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 30, 1935

Business Opinion and NRA

Mr. Richberg discussing the probable future of NRA recently said:

"When the Supreme Court is called upon to answer the question, 'Is this law a reasonable exercise of a power clearly conferred?' it is not the individual opinion of a single judge but the preponderating public opinion which should be decisive."

Therein he indicated a clear understanding of mass psychology, as well as legal precedent. The trouble is that public opinion in this matter has been widely misinterpreted.

We ourselves may have helped somewhat the wide publicizing of the opinion that NRA stands today almost friendless. Generally speaking that may be true, but we must differentiate between adverse private criticism and active public opposition. For the present at least, the most effective support for NRA will come from those whose private opinion of the Recovery Administration and its works has never been too complimentary.

Among leaders and organizations of business there are 3 distinct groups. The first consists of those who have opposed the whole idea from the beginning, not only from the point of view of their own interest but in regard to the constitutionality and economic soundness of NRA. There is no compromise in their attitude.

Another minority group is unequivocal in its insistence that NRA has been of great and indisputable benefit, not only to its members in their business but to their workers and to the country.

Between these two stands a considerable majority of all business, finding much in NRA to criticize, most often believing that the country would be better off if the Act had never been passed, but sincerely believing for many and conflicting reasons that the life of the Act should be extended at least temporarily.

No summarization of the attitude of this middle group can be all-inclusive. Probably a majority believes that the Act was unconstitutional in the first place, that it hampered recovery by increasing costs, fixing prices, and decreasing production, and that NRA is one of the conspicuous factors of the New Deal which restrains the reawakening of private initiative.

On the other hand, this group has 2

basic reasons for believing that we are better off, for the present, enduring the penalties of regimentation. The principal reason for this attitude is the opinion that, most of industry having been geared and adjusted to a system of operations under NRA, the termination of the Act would lead, at least temporarily, to industrial chaos. Another impelling motive for this attitude is the belief that if NRA were repealed or the Act permitted to expire by limitation, something much worse, particularly in the field of labor legislation, might be expected from Washington during this session of Congress.

Uncompromising opposition is centered in what is loosely described as the heavy-duty industries such as machinery and equipment manufactures. These industries use relatively little common labor, have no sweatshop problems to deal with, and employ few white collar workers in the lower salary brackets. Skilled mechanics, whose wages are much higher than the average of factory payrolls, constitute the bulk of employees.

This group has been resisting unionization by law. Its members have seen their costs rise sharply, not so much in their own payrolls as in the price of materials they use. They have had little benefit and much grief from the Act. They opposed it vigorously on constitutional and economic grounds from the beginning.

It may seem strange but it is a fact that the most active support of the idea of NRA comes from industries in which wages were lowest and labor abuses most prevalent. In these fields, employers welcomed conditions which permitted the paying of higher wages, promoted decent trade practices, outlawed sweatshops and destructive competition. This includes some of the lighter industries such as textiles, some of the natural resource industries such as coal, and even a number of important groups in the retail field.

Another general truth to which, of course, there are exceptions is that the penalties of NRA regimentation have fallen most heavily on the large and smallest units of business. Great corporations subscribing to a code must spend time, money, and zeal in the strict observance of it. Not only could any violation be quickly detected but it might easily be capitalized as a national incident in the popular campaign of corporation bailing.

On the other hand, the smallest units frequently cannot survive, paying the wages, observing the hours and obeying the ordinances of NRA. In a vast number of cases they should not survive. They constitute a large part of the marginal operations which pay inadequate wages, too often sell at cost or less, and undermine the whole price structure of an industry. Such are the "snowbirds" and wagon mine operators in the coal fields, the buzzsaw mills in the lumber industry, and the backwoods mills in the textile field.

Unless a change is made whereby some new and drastic labor law is traded for NRA, it seems probable that the Administration will succeed in extending the life of the system while effecting numerous refinements that will make it more tolerable to labor and perhaps to capital and management.

Nevertheless the whole situation seems to point once more to the logic of the oft-repeated suggestion that voluntary codes should be the basis of the whole effort. If the bituminous coal industry is unable to police itself and is quite willing to organize under a code, subject to almost any supervision the government chooses to impose, it would seem a wise act to continue the industry on such a basis until a thorough laboratory test has been made of the system. On the other hand, if a business such as the machine tool industry, already paying relatively high wages, finds handicaps and no benefits in NRA regimentation, it would seem logical to remove it from the code and let the Sherman Anti-Trust and Clayton Acts apply in full force. The only logical opposition to such a suggestion would come from those who believe in unionizing industry by law. That may be the rub in the whole NRA controversy.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20c. Subscription: \$5.00 a year, \$10 for three years, U. S. A. and possessions. Foreign 30 shillings. Cable code, McGrawhill

Glenn Griswold, Vice-President

Marc A. Rose, Editor

Managing Editor, Ralph B. Smith News Editor, Louis H. Engel Economist, David Dillman
Marketing, O. Fred. Rost Transportation, Irvin Foos Industry, Wallace Thompson
Foreign, J. F. Chapman Typography, F. A. Huxley Statistics, R. I. Carlson

Washington, Paul Wooton, Carter Field

APRIL

1933

B

BUSINESS
INDICATOR



to which, of
tions is that
regimentation
on the larg-
of business.
scribing to a
money, and
nce of it. No
n be quickly
asily be capi-
cident in the
poration bail-

the smallest
survive, pay-
g the hours
ces of NRA.
s they should
stitute a large
rations which
oo often sell
ndermine the
an industry.
" and wagon
al fields, the
ber industry,
in the textile

made whereby
labor law is
ms probable
will succeed
f the system
s refinements
tolerable to
ital and man-

ple situation
e to the logic
gestion that
be the basis
e bituminous
police itself
ganize under
t any super-
ooses to im-
e act to con-
h a basis un-
test has been
n the other
as the ma-
eady paying
ds handicaps
a regimenta-
al to remove
the Sherman
Acts apply
ogical oppo-
tion would
believe in
law. That
whole NRA

St., New York
r three years
le, McGrawhill

. Rose, Editor

David Dillman
ace Thompson
R. I. Carlson

A NEW
has
being
Frigid

NESS WEEK